THURSDAY DECEMBER 10, 1998

World Business Newspaper http://www.FT.com



Kitchen of the future Bake in a flash, dishwasher in a drawer Page 25



US economy Oasis of prosperity for much longer? Page 15



**Human rights Companies may** have to care Page 14

**EU** budget **Germany fights** for rebate Page 2

#### WORLD NEWS

#### Iraq bars UN arms inspectors from ruling party's HQ

Iraq prevented United Nations arms inspectors entering the rul-ing Baath party building. But chief weapons inspector Richard Butler called Iraq's move "very serious" and said it was unacceptable for Baghdad to claim the inspection was illegitimate. Page 16

Sweden warns on EU taxes Sweden would oppose any attempts at European Union tax harmonisation that threatened to increase its corporation tax or reduce its power to set income tax levels, said prime minister Göran Persson. European news Page 2; Observer, Page 15

Matn pushes for Kosovo accord Nato is encouraging Russia to put further diplomatic pressure on President Slobodan Milosevic as part of a renewed push for a peace deal between Belgrade and Kosovo's ethnic Albanian separatists. European news Page 2; Observer, Page 15

45 killed in Algerian massacre An armed band massacred 45 people in an Algerian mountain town. Separately, security forces digging up a well used as a mass grave said they had so far pulled

India set for missile decision India may be about to defy the west and anger its neighbours by approving production of a longerdistance version of a ballistic missile that could carry a nuclear device. Asian news, Page 4

Dissident 'faces charges' Chinese dissident Xu Wenli, who helped set up an unregistered opposition party, is to face charges, a Hong Kong-based human rights group said. Asian news, Page 4

French far right in disarray Bruno Mégret, number two in France's far-right National Front party, is challenging the leadership of Jean-Marie Le Pen, who has moved to oust Mr Megret's. European news, Page 2

Suharto quizzed on wealth Indonesian state investigators have questioned former president Suharto about his wealth. The attorney-general's office said Mr Suharto answered 41 questions about alleged abuse of state funds during his 32 years in office. Asian news, Page 4

Climton defence concluded The White House concluded its two-day defence of President Bill Clinton amid signs that more Republicans in Congress may be against impeaching him over the Monica Lewinsky scandal. American news, Page 6

Tokyo city to seek savings Tokyo city administration plans to slash investment by 16 per cent to Y890bn (\$7.5bn) next year in apparent defiance of the government's attempts to boost the Japanese economy through higher spending. Asian news, Page 4

No rush to pay in euros Most big European companies do not intend to pay their workers in euros until 2002, says a new business consultancy report. European news, Page 2

Subsea walker stopped A man eluded security cameras. barbed wire and high fences to walk 30 miles through the undersea Channel Tunnel linking England and France, where he was arrested.

#### **BUSINESS NEWS**

#### **Wai-Mart to double** size in Europe with \$659m German deal

retailer, is buying 74 interspar hypermarkets from Germany's Spar Handels store group in a deal, estimated at DM1.1bn (\$659m), that will double Wal-Mart's size in Europe. Page 16

intention to merge, saying that of \$1.1bn within three years.

Siemens of Germany and US computer networking company 3Com are forming a \$100m joint venture to target the rapidly growing market for converged voice and data networks. International companies, Page 22

western banks negotiating with Russia over restructuring short-term treasury debt, said some issues remained unresolved. Finance minister Mikhail Zadomov had said earlier that

JP Morgan warned that its fourth quarter operating earnings would be lower than in the third quarter, despite an improvement in market conditions for the US bank. Companies and markets,

Quebeccor, Canadian printing and publishing group, emerged as a white knight for Sun Media. It made a recommended cash offer of C\$980m (\$640m) for the country's second largest newspaper chain. US and Canadian companies, Page 23

Siam Commercial Bank's president is expected to be removed from office as the Thai bank becomes the first to apply for state funds to rescue it from its bad-loans burden. Companies and

sal Pictures film division would fall to an operating loss of \$65m

decided against entering an immediate merger with the ailing Nippon Credit Bank because of its concerns about NCB's huge bad-loan problem. Asia-Pacific companies. Page 19

r<mark>emment bond yields</mark> have fallen to their lowest levels since the height of the global market Bonds, Page 28

Japan Airlines, the country's leading carrier, and British Airance, the global airline grouping led by BA. International compa-

David S Smith, UK paper and packaging group, warned of a poor immediate outlook for its business and said it saw signs of an economic slowdown in continental Europe. UK companies,

Euro Priuse euro currency zone, coverno foreson

Companies and markets, Page 17; Editorial Comment, Page 15; Lex, Page 16; Details,

Deutsche Bank, which is leading agreement had been reached.

Seagram, Canadian entertainment in the current quarter after a succession of box office flops. Com-

Chuo Trust, Japanese bank,

turmoil in mid-October. Page 17;

exchange, bond and equity markets.

ways are in talks that could lead to JAL joining the Oneworld alli-

Wal-Mart Stores, biggest US

Zeneca and Astra confirmed their the UK-Swedish drugs group would realise annual cost savings

markets, Page 17

panies and markets, Page 17

nies, Page 22

A comprehensive statistical guide to the

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### Blow to Pinochet as UK paves way for extradition hearings

Decision over former dictator worsens relations with Chile

#### By John Mason, Law Courts Corresp

The prospects of General Augusto Pinochet, the former Chilean dictator, standing trial in Spain accused of crimes against humanity increased dramatically yesterday after Jack Straw, the British home secretary, approved the request of the Spanish government for his extradition from the UK.

regarded by lawyers as the most crucial point in the extradition process, prompted an immediate worsening of relations between the UK and Chile. Raul Troncoso, the Chilean interior minister. said his government "emphatically rejected" the British decision which he said infringed Chilean sovereignty. The Chilean ambassador to London was recalled to Santiago in protest.

Explaining his decision to Brit- and was "a grave mistake". ish MPs in Parliament, Mr Straw said the alleged offences, including torture, hostage-taking and conspiracy to murder, were serious and the passage of time should not prevent any prosecu-

ean democracy or the UK of Latin America." national interest were severe enough to warrant blocking the Spanish request. He also rejected pleas by Gen Pinochet's lawyers

that the former dictator was too ill to stand trial. Mr Straw's decision was widely welcomed by human rights request would be stopped. groups and Labour MPs in the UK. Amnesty International, the he UK. human rights group involved in The decision to give "authority the legal battle to extradite Gen to proceed" to the request, Pinochet, said: "The decision by the home secretary signals the birth of a new era for human rights, on the very eve of the 50th

> laration of Human Rights." However, leading members of the Conservative opposition party in the UK, led by Baroness Thatcher, the former prime minister, denounced the decision. Baroness Thatcher said it had been taken for political reasons

anniversary of the Universal Dec-

Hernan Briones, president of the Pinochet Foundation in the Chilean capital, said: "It just shows that Britain continues with its colonialist spirit that it Madrid fostered hundreds of years ago. It tion. He said he did not think the is one more attack against a Reports and analysis, Page 9

possible consequences for Chil-small country that is a key part

The Spanish government was said by a spokesman to "wholly respect" Mr Straw's decision. However, government sources had indicated earlier that Prime Minister José María Aznar had secretly hoped the extradition

Although formally backing the extradition request, made by a Spanish magistrate, the Spanish government is known to be anxious about the prospect of staging any trial of Gen Pinochet and the implications for relations between Spain and Chile. Mr Straw's decision leaves Gen

Pinochet facing a lengthy legal process in the UK. Gen Pinochet is being held at a mansion in west London, but will have to appear at a magistrates court in south London tomorrow.

A full extradition hearing is not expected until the new year.

The process is expected to last until the end of next year. Additional reports by Andrew Parker in London, Imogen Mark in Santiago and Tom-Burns in



As President Clinton prepared for a visit to the Middle East next week Palestinian President Yassir Arafat yesterday told supporters in the West Bank that Israel had no right to stop him declar

### Shell considers US-style chief executive

Dutch/Shell, the Anglo-Dutch oil group, is to move towards the appointment of a

The dilution of consensual decision-making - a hallmark of company's first serious response to the collapse in oil prices and the wave of mega-mergers in the

The changes will enhance the power of Mark Moody-Stuart, chairman of the five-man Committee of Managing Directors, who will have extensive powers over how Shell allocates about

\$15bn of capital expenditure each formance targets.

management in nearly half a addresses City analysts in Lon- of big international oil compa- arms of the company.

to announce asset writedowns Shell since the 1950s - is the and an extensive divestment programme. Mr Moody-Stuart is also expected to make a personal commitment to improving the financial performance of the troubled

oil group. Shell's shares have fallen more than 17 per cent since the start of the year as the company's credibility with investors has suffered as a result of failure to meet per-

Shake-up could dilute consensual decision-making In recent days Shell, the third executive that could upset the prompt the departure of other

es, has been the centre of At that meeting, he is expected intense speculation about how it will respond to the wave of mega-

mergers that has transformed the world's oil industry. Two US companies - Chevron and Texaco - have been mentioned as possible targets of Shell should it decide to make a move. But many analysts say they want to see Shell put its own house in order first before it considered any large-scale deal.

failed to cope with a radically different operating environment.

it is unlikely to disappear altogether.

Shell management is so embed- Moody-Stuart challenged the ded in the company's culture that

might still run into opposition

investors, who have complained

that the consensual structure has

compared to a federal state" with competing national power centres. ing a strong chairman and chief . The shake up is not expected to

powerful US-style chief executive Mr Moody-Stuart is expected to member with Exxon Mobil and delivate balance of power members of the CMD, although in the biggest shake-up of senior announce the reforms when he BP Amoco of the "super league" between the British and Differ in the biggest shake-up of senior announce the reforms when he BP Amoco of the "super league" between the British and Differ in the biggest shake up of senior announce the reforms when he are super league. proposed reform is likely Mr Moody-Stuart is said to be to be welcomed by analysts and

frustrated with a system that has resulted in decisions being constantly reviewed while the performance of individual lovestments is inadequately policed. Only two But the co-operative nature of months after he took office, Mr power of the federal barons in Europe by closing headquarters in several countries. The latest Even a dilution of the system shake-up suggests he has a radical long-term agenda for over-

### Ciba and Clariant cancel merger deal

The merger of Clariant and Ciba Specialty Chemicals, which would have created the world's biggest speciality chemicals group, was suddenly called off yesterday after the two sides decided the risks of the deal out-

weighed the benefits. The breakdown of the deal came as a surprise since both the Basie-based chemicals companies had similar histories and similar technologies. The two managements had also agreed on a division of their responsibilities and the steps necessary to achieve annual cost-savings of SFr600m

(\$436.4m) by 2.001. It also comes as some of the world's biggest pharmaceutical companies are in the midst of foreing links in a bid to cut costs and sharpen their competitive edge. It is particularly embarrass ing since both companies, which are major competitors, have exchanged a considerable

amount of information about their businesses They had also announced that a hidden profit warning by one of they no longer needed the services of their respective chief executives, Ciba's Hermann Vodicka and Clariant's Karl-Gerhard Seifert. Rolf Meyer, Ciba's chairman who was regarded as the architect of the deal. was to have been the chief executive of the new group which would have had

employed 55,000 staff.

However, both sides stressed that the merger, announced on November 9, had only been an agreement in principle and yes terday's decision followed a period of extensive due diligence by teams from both sides and the two financial advisers. Warburg Dillon Read acting for Clariant. and Credit Suisse First Boston for Ciba.

The investigations had revealed "commercial, financial, legal and regulatory risks and constraints in executing the planned transaction and which would affect the future merged Both companies decided the

risks "to be so significant as to

undermine the future benefits

and synergies as stated as part of the rationale for the planned Walter Vateriaus, Clariant spokesman, said no single issue had caused the breakdown. Neither had there been any sign of the management frictions which had destroyed some mergers in the industry, nor any question of

the sides involved. He also said that the stock market's lukewarm reception to the merger had not been a factor in

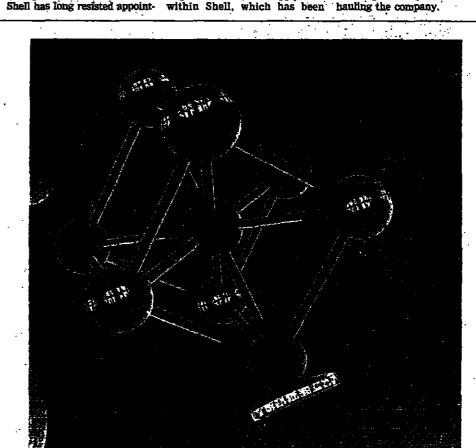
the decision. "It is not just a simple fact which killed the merger, but the sum of all the risks involved." said Mr Vaterlaus.

sales of SFr18bn (\$13bn) and Lex, Page 16

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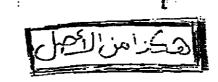
### **European banking made by WestLB.**

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Europe. When it comes to modifying financial: strategies and converting . . . systems to the euro, be sure to benefit from our expertise. For updated information

about WestLB and the euro, simply visit us on " our Web site under



### UK changes tack on withholding tax

By Robert Peston in London, Frederick Stüdemann in Bonn and Emma Tucker in Brussels

The British government yesterday softened its opposition to the proposed Europe-wide withholding tax on savings by indicating it would be seeking an exemption for the Eurobond market rather than relying on its veto to block the mea-

The important change of approach came in a joint statement on EU taxation by Tony Blair, the UK prime

minister, and Gerhard Schrö- co-ordination by agreeing Vienna tomorrow, also says der, the German chancellor, with Mr Schröder to contact that "exceptions" to initiader, the German chancellor. designed to heal the rift between the two governments on European tax pol-

Following telephone talks Blair, the two leaders said European system of corpoback "measures leading to a higher tax burden and jeopardising competitiveness But Mr Blair showed he

with Mr Schröder to consider common measures to support "wider health and environmental objectives".

A proposal for legislation put forward by the European yesterday initiated by Mr Commission - the EU's executive body - that would they opposed "a unified place a minimum 20 per cent withholding tax on income rate taxation" and would not from the savings and investment of non-residents is currently under discussion by the 15 member states. Mr Blair and Mr Schrö-

tives designed to combat "unfair tax competition" should be granted where a member state demonstrates the "competitiveness of Europe" is in jeopardy.

Mr Blair sees this as explicitly providing a case for exempting Eurobonds from the withholding tax, the prime minister's spokesman said.

This will be seen as an important development in was not adopting a wholly der's statement, issued the City of London financial negative approach to EU tax shead of an EU summit in district, which fears that the

10,000 job losses if it covers City, which it views as an Eurobonds. However the Corporation

whether the most effective tactics are being used by backing away from the blunter threat to veto the tax. Negotiations are taking place between Commission and City representatives to my to work out a compromise that meets some of the

financial community's objections while keeping eurobonds inside the directive.

proposed tax could lead to did not want to harm the asset for the EU and points out it is pursuing talks with of London may question third countries, to try to get some sort of global agreement to iron out distortions and combat tax evasion.

Meanwhile the German government insisted the joint statement reiterated Bonn's general position on tax harmonisation and was not a shift in policy. A spokesman said clarification had been necessary as a result of "irritations in the

the single currency, even

from the Maastricht treaty.

Mr Persson justified that

approach by suggesting that

the euro appeared to be "a shaky project" when Sweden

decided not to participate

last year. Yesterday, how-

ever, he said the prospective

euro-zone had worked well

and had proved more stable

tions are frequently dis-

missed as the naivety of a

euro-newcomer. But the

chancellor has made clear

that agreeing Agenda 2000 is

"an objective precondition"

for enlargement and that

without a deal "it will be dif-

ficult to explain to people

why they should vote for a

European parliament" next

vear. In Vienna the Austrian

presidency will seek to sum-

marise discussion on the

budget with a face-saving

than initially expected.

### Santer warns spending

**AGENDA 2000** 

### cuts could freeze reforms

**NEWS DIGEST** 

Proposals by some European Union countries to "stabilise" the union's expenditure could end hopes of reforming the common agricultural policy, Jacques Santer, president of the European Commission, warned yesterday.

He said that a freeze on spending at current levels could also lead to real cuts of up to 28 per cent in the union's regional aid budget.

Mr Santer was speaking ahead of tomorrow's summit of EU leaders when financial reform for the period 2000 to 2006 will be high on the agenda. He said he could guarantee the farm reforms outlined by the Commission would lead to long-term budget savings but they would involve

an initial increase in costs. Mr Santer said that restricting CAP expenditure at Ecu40bn (\$47bn), as some countries have suggested would "kill the reforms". He said development of the Union and the success of its enlargement would depend on agreement being reached on the Agenda 2000 package of reforms of the CAP and regional aid in March 1999. Respecting the timetable was important to maintain the credibility of the union. Michael Smith, Brussels

### **GERMAN PRICES**

#### Inflation rate still steady

Germany's annual inflation rate held steady at 0.7 per cent last month, the federal statistics office said yesterday. The low rate, unchanged from October, reflected the continuing impact of falling energy prices, which dropped 3.6 per cent in the year to November. That offset rent increases and higher prices for health and personal care products

per cent in October to 0.6 per cent. In the east of the country, the rate rose from 0.6 per cent to 0.7 per cent. The virtual eradication of inflation has encouraged Oskar Lafontaine, finance minister, in his calls for European central banks to focus monetary policy on promoting eco-

In western Germany, the annual rate dropped from 0.7

nomic growth and job creation. Ralph Atkins, Bonn

#### GERMAN TAXES

#### State pledge on reforms

Gerhard Schröder, German chancellor, has won assurances from Social Democratic state premiers that they will support the government's controversial tax reform plans in parliament. The deal came at a meeting late on Tuesday in Saarbrücken and followed widespread concern by state governments on the impact of the federal government's plans on their finances.

The tax proposals aim to help working families through an initial two percentage point cut in the basic rate of income tax to 23.9 per cent but would be financed by closing loopholes enjoyed by industry. The changes are due to be debated on December 18 in the Bundesrat, the second chamber of parliament representing the 16 Länder or federal states

Separately, Oskar Lafontaine, finance minister, confirmed that a revised 1999 federal budget would be presented to cabinet on January 20. He said the scope for tax cuts had been limited because of difficulties inherited from the previous government. Federal debt would reach DM1,450bn

#### **COMPETITION COMPLAINT**

#### **Brussels fines ferry companies** A complaint from a Dutch tourist yesterday resulted in

sharp fines for seven ferry companies operating between Greece and Italy. The six Greek and one Italian companies will have to pay fines totalling Ecu9.12m (\$10.7m) for running a cartel which fixed prices for crossings.

The European Commission, which carried out the investigation, said the cartel had run for several years. While this broke EU competition rules, the impact on the market was limited as the parties did not apply the specific price agreements in full, and kept fares at a low level compared to other comparable ferry routes.

For these reasons, and the fact that most of the companies co-operated with the Commission, the fines were reduced. The companies involved were Minoan, Anek, Strintzis. Ventouris, Karageorgis, Marlines and Adriatica. Emma Tucker, Brussels

#### WAR CRIMES TRIBUNAL

#### Yugoslavia ignores pressure

Yugoslavia yesterday ignored United Nations pressure to extradite three former Serb officers charged with war crimes, and pressed ahead with its own probe, calling the

three as witnesses, not suspects. The three Serbs sought by the UN war crimes tribunal -Veselin Sljivancanin, Miroslav Radic and Milan Mrksic are accused of ordering the massacre of 260 unarmed men forcibly removed from a hospital in Vukovar, eastern

Croatia in November 1991. A military court in Belgrade said it would hold its own probe against "unknown persons" involved in the Vukovar massacre, it has requested the UN tribunal's files on the three men, which form the basis for their indictment by The Hague tribunal. Judge Gabrielle Kirk McDonald, president of The Hague tribunal, on Tuesday accused the Yugoslav government of "unabashedly obstructing the

explicit directives of the Security Council". The Security Council has repeatedly demanded the extradition of the three suspects. AP, Belgrade

#### **GREEK ECONOMY**

#### interest rates cut

The Bank of Greece yesterday cut half a percentage point off its main intervention rate in response to a sharp drop in inflation over the past two months. Analysts said the cut in the central bank's benchmark 14-day deposit rate from 12.75 per cent to 12.25 per cent opened the way for a gradual convergence of Greek interest rates with the euro-Zone countries.

The central bank also lowered the base rate for overnight borrowing from 11.9 per cent to 11.6 per cent. National Bank of Greece, the country's biggest commercial bank, followed suit and reduced its prime lending rate by 150 basis points. Greece's headline inflation rate slowed from 5.2 per cent in September to 4.2 per cent in November, reflecting cuts in indirect taxes on fuel and new vehicles. Kerin Hope, Athens

 Poland cut its key central bank intervention rate from 17 per cent to 15.5 per cent and trimmed the Lombard rate from 22 per cent to 20 per cent. The rediscount rate was also cut from 20 per cent to 18.25 per cent. The cuts came in response to falling inflation, which looks set to average 9.3 per cent for 1998, the lowest rate of growth in almost two decades. Inflation next year is expected to fall to 8.1 per cent. Christopher Bobinski, Warsaw

### Swedish PM warns against harmonisation

By Tim Burt in Stockholm

The Swedish government yesterday warned it would oppose any attempts at European Union tax harmonisation that threatened to increase the country's corporation tax or reduce its power to set income tax lev-

Göran Persson, the Swedish prime minister, told the

would also fight any moves towards majority voting on pect raised by the German and French finance ministers over the past week.

"I am not in favour of harmonising taxes in Europe by majority voting," said Mr Persson. "The right of taxation belongs to national parliaments." His statement places Sweden squarely behind the UK in holding

out against tax harmonisation among EU member

Mr Persson hinted that harmonisation involving minimum tax levels could be a basis of negotiation. But he added: "We would definitely not want to see corporation tax harmonised unwards. Sweden, along with Finland. boasts the lowest corporation tax in the EU at 28 per cent. The prime minister

also signalled moves towards important thing to start a wait and see approach to reduced income tax levels in Sweden, the highest in the industrialised world.

He predicted that crossparty talks on tax reform, which began this week, could lead to tax cuts for low and middle income earners currently 33 and 35 per cent respectively. The top marginal rate of tax in Sweden is 59.7 per cent. "I regard income taxes as the most

with, but I am also prepared to make a compromise if though it has no opt out there are any ideas for reforming capital taxes. In spite of reservations over EU fiscal policy, Mr

Persson yesterday signalled a more pragmatic approach by the ruling Social Democratic government to European economic and monetary union. Sweden has so far adopted

justified and has called for

financing problems.

other ways to solve the EU's

But the UK is less strident

than during Mrs Thatcher's

Germans and others in other

premiership. "I do believe that we can join with the

changes to the European

and some of the other

EU CONTRIBUTIONS BONN TO PRESS AHEAD FOR REDUCTION

Thatcher, then Britain's

prime minister, emerged tri-

umphant with a rebate of

early 1990s saw similar ten-

sions, which were resolved

left Germany paying a net

Eculi.08bn to the EU last

well above the Ecul.88bn

see a reduction in the UK

rebate as part of proposed Agenda 2000 reforms of the

contributed by Britai Mr Schröder would like to

### Budget squabble looms at Vienna summit

By Peter Norman in Brussels

Listen to Gerhard Schröder, Germany's chancellor, and there is nothing more natural, or comprehensible, than his government's wish to reduce his country's large at the 1992 Edinburgh EU DM22bn (\$13bn) net contribution to the European Union's budget.

Take soundings among the representatives of other member states and it rapidly becomes clear that nobody really expects Bonn to achieve a breakthrough at the Vienna summit of EU leaders tomorrow while Gerat the special EU summit scheduled for March produce, at best, a knowing

With the EU about to launch the single currency in 11 states and just weeks after it began ambitious enlargement negotiations to include five former commu- EU budget, farm policy and nist east European states structural funds that he and Cyprus, relations among regards as essential if the its existing 15 member states threaten to become mired in a squabble about who pays for the EU's Ecu86bn (\$100bn) budget.

It is a familiar problem. struggle over the budget a looming showdown from which Margaret between Germany and Domestic political consider-

#### UK 'less strident' but insists rebate is fully justified

To the imitation of Britain's British contributions that continues to this day. The European Union partners, the budget rebate agreed with Margaret Thatcher in 1984 has proved an summit through a deal that enduring reminder of her ferocious negotiating technique, reports Peter

year, according to Commission figures for "operational The then prime minister hudget balances". appeared at successive EU summits to demand "my On this measure. Germany's net contribution was money back", enhancing her reputation as the "iron lady" nearly five times the but setting Britain apart from Ecu2.32bn paid by the France and Germany, which Netherlands, the next biggest net contributor in cash went on to turn their bilateral terms and the biggest when relationship into a motor for measured by share of gross European integration. domestic product. It was

this week's EU foreign ministers council meeting, it is Spain that will be the most obdurate in resisting change, while among contributors the Netherlands could well take a tougher line than Ger-

EU is to cope with the chalmany. Spain - a net recipient to lenge of eastward enlargement and become more the tune of Ecus.9bn last year - knows that the inflow acceptable to electorates in the member states. But it of EU funds it secured in the would be wrong to charac-1992 agreement will be vul-The early 1980s saw an epic terise the Vienna summit as nerable as enlargement moves up the EU agenda.

negotiations on Agenda The problem of Britain's 2000 getting underway, the UK insists its rebate is fully large net contribution

reflected low EU spending in the UK, which because of its relatively small agricultural ector was unable to benefit fully from an EU budget heavily weighted to farm support. The 1984 Fontalnebleau accord, which sealed the budget deal, marked a departure in EU

political theology by recognising the importance of a country's net contributions and the need for them to take account of the relative prosperity of member states. With

foreign office, said this the Netherlands, where the ruling coalition has set targets for reducing its EU bud-

get contribution. Mr Schröder sees several ways round the problem. With France, he backs rigor- is viewed differently in the ous limits on EU spending. various member states. But I The chancellor also favours more national financial support for agriculture which would help ease Germany's net contribution, although this idea - known as co-financing - is strongly opposed by France, where it would

"My plea is that none of the possibilities should be excluded from the start," Mr Schröder sald in an interview with the FT last week. "We know that this question have yet to find a colleague (among EU leaders) who doesn't understand that the German net position must be changed. If they show under-

standing, they have to move." In Brussels, such expecta-

form of words. "I have never budget to ensure that they said we can achieve a better countries have a smaller and deal for Germany in one step," Mr Schröder said last fairer contribution," Joyce Quin, minister of state at the week. But the chancellor also stressed that "the times in which every European problem could be solved by drawing on German the past".

Looking ahead, Joschk Fischer, Germany's foreign minister, has made clear that Germany is prepared to see the Agenda 2000 discussions develop into a crisis if necessary. "The Agenda is not a matter of prestige for the German presidency," Mr Fischer said this week. "No one should think that Schröder needs a domestic politi cal success over Europe. It is

Europe that needs the suc-

#### FRENCH POLITICS LE PEN'S LEADERSHIP CHALLENGED BY HIS DEPUTY

### Power struggle splits National Front

the French vote.

By Robert Graham in Paris

A struggle for control of France's far-right National Front party took a bitter turn yesterday, with a call for a special congress to challenge the dictatorial leadership of Jean-Marie Le

The call came from Bruno Mégret, the National Front number two, and followed mounting tension over moves by Mr Le Pen to purge the party of Mr Mégret's supporters.

Mr Le Pen reacted quickly by suspending Mr Megret of all party functions - an action which underlined his opposition to a special con- Le Pen on a platform of

In canvassing "a hig congress of unity and renewal". Mr Megret has increased the likelihood of a split in the National Front.

Much bad blood has passed between Mr Le Pen and Mr Mégret in recent weeks, making any reconciliation between the two men almost impossible.

Their fall-out comes at a moment when the Front remains a pariah in French politics, while the moderate right is eagerly eyeing the

The Front, created by Mr crude nationalism and extreme conservative values, accounts for 15 per cent of

That vote, however, has not translated into seats in the French parliament. Some break-away elements

of the moderate right have forged local alliances with the Front. But yesterday, the most important of these the Rhône-Alpes regional administration - looked doomed to collapse when a constitutional court invalidated the formation of this government.

has been Mr Le Pen's insistence on excluding Mr office for a year, the result of Megret from heading the a court decision that found party's list of candidates in the National Front leader next June's elections to the guilty of assaulting a Social-European parliament. Mr Megret has used the eral election campaign. This elections to push for court case played into the younger blood to take over

The immediate cause of

the party and give it a more acceptable face with a Le Pen to step aside, broader electoral appeal. encouraged the party to make a series of alliances at the regional level, a policy Mr Le Pen has reservations

the conflict within the Front last month when Mr Le Pen was disqualified from public ist candidate in the 1997 genwho said it was time for Mr

Matters came to a head

appeals process. He has made clear he will fight the June EU parliament elections, and the 2002

But Mr Le Pen can get round the ban by a lengthy



dency. Rather than negotiate with Mr Megret, Mr Le Pen has begun rooting out the latter's supporters and has pledged to pass his mantle, if and when he feels the urge, race for the French presi- to his wife Janny.



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Times Limited, Number One Southwark
Bridge, London SE 9811. has, since 1946, been our French parliament in time.

### France to comply with freeing of power markets national view of the electric-

By Robert Graham in Paris

France is to make the minimum concessions to comply with European Union's directives liberalising European national electricity markets next

In a draft bill approved by the Socialist-led government of Premier Lionel Jospin. EdF, the state electricity monopoly, will retain a dominant position and keep control of the high-tension grid distribution network. "We have rejected an

ultra-liberal approach,"

Christian Pierret, industry

minister, said. "This law is a

balance between necessary

economic realism and what

ity market." The limited concessions to accommodating the EU's competition provoked a part-opening of domestic quick reaction from Jean- markets underlines the Marie Messier, head of the extreme political sensitivity Vivendi conglomerate and of changing EdF's status. the main potential domestic

lation as "the height of con-

servatism". Next year, EU nations are obliged to open up 25 per most powerful institutions cent of the electricity market to competition, in effect for the main industrial consumers, with the proportion EdF's distribution monopoly gradually rising in subse- and control of the grid. The quent years. France is bill guarantees a govern-

not even be approved by the

up with firm plans for Successive governments' competitor of EdF. He emphasis on developing a described the proposed legis- huge nuclear industry to

avoid dependence on

The long delay in coming

imported energy has turned EdF into one of France's Potential competitors yesterday - criticised several aspects of the bill mainly among the last to introduce ment nominee to monitor legislation; the new law may transparency. But Mr Mes-

sier said this left EdF both

"judge and jury".

pened to

CONTRACTS &

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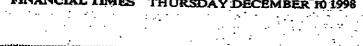
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Table 4

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### Nato pushes Russia on Kosovo

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RES

TANES

pledge on reforms

n rate still steady

Nato yesterday encouraged

By David Buchan in Brussels. Nato of Russia's interest in must not be allowed to Start 2 agreement later this joining the aerial recommissions close". sance operation that Nato

push for a peace settlement; a ground force of observers Moscow's political relations federation. But in recent ters were able yesterday to between Belgrade and ethnic under the aegis of the Albanian separatists in the Organisation for Security province of Kosovo.

At a meeting of the Natio a plan which Mr Ivanov said

The atmosphere was sure Mr Milosevic into con
Moscow's view that Nato

Description of the Natio and Co-operation in Europe, crisis.

The atmosphere was sure Mr Milosevic into con
Moscow's view that Nato

President Slobodan Milos agreements. sia joint council, confound- province far reaching autonevic as part of a renewed These accords provide for ing some predictions that only within the Yugoslav

longed conflict - was Yesterday's meeting was Nato and Russia share the removed. With refugees Russia to put further diplo- has mounted over Kosovo to more cordial than the previ- same goal of settling the under shelter, he said "there matic pressure on Serbian verify the October ceasefire our meeting of the Nato-Rus Kosovo crisis by giving the is no threat today of a

Nato and Russian minis Russia Permanent Joint
Russia had initiated and was
Council, Nato foreign minis
perticipating in.

Madeleine Albright, US
counterpart, Igor Ivanov, to
use his country's traditional
renewed push on Kosovo
with warnings to both sides

Mrs. Albright also
ence of unarmed OSCE

Mrs. Albright also
ence of unarmed OSCE use his country's traditional ties to Belgrade to press them to accept the latest version of the peace plan drafted by Chris Hill, US envoy.

Mr Ivanov made no public commitment to fresh diplomatic efforts. But it was a hopeful sign at the conformatic of opportunity that the peace plan dow of enlargement to strike threat remained, despite the increasing pression of enlargement to strike threat remained, despite the increasing pression of the peace of unarmed OSCE that they had only sidestephence of unarmed OSCE announced she planned to observers in Koscov. "We observers in Koscov. "We observers in Koscov. "We observers in Koscov. "We have had situations before where we have had people on the ground and still been able to threaten air strikes," she said. Mr Ivanov said ovo would not set an automatic efforts. But it was a hopeful sign at



### Companies 'holding back on euro'

By Alan Beattle in London

Most large European pricing until 2001. companies do not intend to companies do not intend to The survey, which sam-pay their workers in euros pled over 300 large compa-nesses pricing their goods in nies within the EU and Swit-euros by 2000.

paredness for Emu, commis- adopted.

until forced to do so.

Only a third of companies from the beginning of 1999.

In euros before they are comin euros before they are coming to price their goods in euros said that these mismatches could pose problems for many businesses. She predicted that some companies a fifth expected to do so dicted that some companies are first the expected to do so dicted that some companies are first the expected to do so dicted that some companies are first the expected to do so dicted that some companies are first the expected to do so dicted that some companies are first the expected to do so dicted that these mismatches could pose problems for many businesses. She prepelled to by the abolition of "legacy currencies" - the will enter monetary union - nies operating in different to adopt the new currency at the beginning of 2002,

according to a report pub-lished today. zerland, revealed some marked differences between

signed by business consultancy KPMG Consulting, with headquarters in Belsuggests that many companies will not adopt the euro until forced to do so.

Only a third of companies adopted.

Nearly half of companies masse until 2002.

Nearly half of companies masse until 2002.

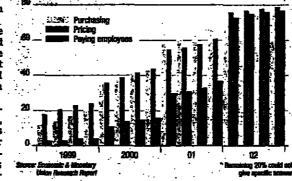
Vicky Pryce, chief economies at KPMG Consulting, to price their goods in euros and that these mismatches are the host of the companies.

national currencies which contrasts between compa-timetables as they are forced

not become the primary currency for purchasing and internationally traded, will be quickest off the mark,

The more sheltered service marked differences between sector, including retail and The third annual survey of countries in the speed with wholesale distribution where European companies' pre- which the suro would be the effect would be most apparent to consumers, will

> would have to speed up their The survey also revealed euro pricing and purchasing by influential customers or



"Bringing forward conver- information technology, sion plans would cause seri- most of which may already ous disruption in areas such be stretched to meet existing

### Woman elected Swiss president

Ruth Dreifuss, interior minister, was elected Switzerland's first female and first Jewish president by than three decades after Swiss women got the right

The presidency rotates among ministers each year, according to seniority. The parliamentary vote is little more than a seal of approval for the Alpine republic's

Democrat, seen on the left with former President Flavio Cotti, centre, and Vice-president Adolf Ogi, will preside over the seven-member cabinet in

### Ecevit sets his sights on minority government

seats in the 550-seat parlia she will demand Mr Ecevit's ment. Until Mrs Ciller's endorscheng by the islamist rejection became definite Virtue party

yesterday, he had hoped to Virtue is the single largest forge a coalition with her party in parliament with 144 Bulent Ecevit, Turkey's centre right True Path party seats but Mr Ecevit, a prime minister-designate, is and the centre-right Mother- staunch secularist, is to try to form a minority, land party of Mesut Yilmaz, thought unlikely to curry

> government would in turn prompt Suleyman Demirel, president, to appoint an

### to try to form a minority. land party of Mesut Yilmaz, thought utilikely to curry government with the outside the outgoing prime minister, favour from Islamists who support of other parties after toppled by corruption allegations. The bleve he would rather minister, refused to join his Mrs Ciller, however, told give up the mandate to form proposed three-way coalists. Mr Ecevit yesterday she a government rather than to could offer moral support set up a government with "She said that sine deficition in interim administration the participation of Virtue," nitely rejected, our proposal, headed, by him until-selection of the participation, an items scheduled for April 18. providing other parties agree une by Mr Rosvit to form a Mr Ecevit's Democratic, to do the same. The main Left party controls only 61 question mark is whether

### Russian oil sector further

parliament, passed prime minister, and the good news. But he noted amendments to oil Duna which has for years that a substantial amount of production sharing blocked plans to open up the legislation yesterday that oil and gas sector to foreign bring other Russian laws removed the main obstacles investment. confronting foreign investors "The oil industry has new act. in the strategic petroleum welcomed the amendments,

production-sharing future Russian legislation.

new-found co-operation The Russian Duma, or between Yevgeny Primakov,.

undermine any deals they

By Cartotta Gall in Moscow and . The passing of the might make. Stephen Robert Cozzne in London ... amendments reflects the O'Sullivan, oil analyst at United Financial Group in Moscow, said the move was into compliance with the

Western oil companies are sector.

in particular because also likely to be wary about
The new law opens up 30 production string making any large
per cent of Russia's agreements will now prevail investments given that
hydrocarbon resources for over both existing and crude oil prices are wallowing near 12-year lows. anticipation of higher prices.

### opened to investors

agreements. Under the old Until now, foreign But it-means that some law, only 10 per cent of companies have been companies may put more Russia's strategic minerals worried that new laws could effort into securing deals in

#### **CONTRACTS & TENDERS**

GUYANA

COMMERCIAL DEBT REDUCTION PROGRAMME EPDS

The programme is in respect of certain chains ("Eligible Debt") relating to neactiful foreign exchange transactions is the Republic's External Payment Deposit Scheme (the "EPDS") from 1978 to 1991.

Holders of such Eligible Debt ("EPDS Claimants") thould note that resources or some augment over ("EFFIX CHAMBERS") Agonts note that Invitation Circulars have been sent to their attention based on records received from the collecting banks in Gryana. In most cases, the Invitation Circular will have been forwarded to the resoluting bank in the country of the EPDS Chimbert. EPDS Chimbert are adviced to contact their remitting bank to ensure that they receive a copy of the

Completed Tenders representing irreverable and succonditional offers to sell Eligible Debt to the Bank, subject to the terms and conditions of the Invitation Circular, must be received by the collecting issues in Guyana no later than 12-90 mean, Georgetown, Guyana time on February 5, 1999. For further information, please contact Matthew Frank at Scotiaffed and Inc. at (416) 863-7483.

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Legal Notices



### Suharto faces grilling in assets probe

Indonesia questioned former President Suharto about his wealth for the first time yesterday, giving some substance to a corruption probe that has yielded little but controversy so far.

Mr Suharto spent four hours in a tightly guarded office, A spokesman for the attorney-general. Andi Mohammad Chalib, said Mr Suharto answered 41 questions during his first formal interrogation about alleged abuse of state funds during his 32 years in office.

"I have given all the information they wanted." Mr office and he walked to his four-wheel drive Mercedes. "I'm always ready to be summoned by the attorney general at any time if they need me because I realise, as a citizen, that nobody is above

months that Mr Suharto be State investigators in put on trial for corruption and human rights abuse. took to the streets only after Mr Suharto had departed. One group clashed with police near the home of President B.J. Habibie, leaving at least two wounded.

Mr Ghalib told parliament last week that six months into the investigation, he had yet to find any criminal offence in Mr Suharto's handling of the foundations and But he recently expanded

misuse of state funds for obtaining large tracts of land and supporting a national car production project run Mr Suharto's son. Mr Ghalib estimated the state had lost \$1.55bn on the car project alone.

Students and opposition groups in Indonesia dismiss the corruption inquiries as a whitewash. Mr Ghalib has



response to renewed protests and focused merely on seven Subarto, with assets valued at \$530m, and Rp22bn (\$2.9m) found

Recent estimates of Mr Subarto's wealth range from \$4bn to \$20bn, part of it pre-

sumed hidden in foreign

bank accounts, not counting the business empires of his six children and other relatives and associates. He handed control over the foundations to the government last wonth in an apparent effort to ward

The government has come under fresh graft allegations. Two of his sons have been banned from travelling Soedariono, chairman of the

hoard- said earlier this week that the state had lost Rp1,700bn to such practices since Mr Habibie took office. parliament yesterday that

the government had already "There is a commitment to reform," said Umar Juoro. saved "more or less Rn400bn and \$1bn" by battling cormember of a new presiden-tial think-tank. "But it's not easy to investigate corruption when most of the people

### India poised to defy US with 2,000km nuclear missile

By Mark Nicholson in Bangalore

India appears poised to defy the west and anger its neighbours by approving production of an extended range version of its ballistic missile capable of carrying a nuclear device for a distance of over 2,000km.

year of the weapon, which New Delhi sees mainly as a nuclear deterrent against

The decision appears to eflect India's determination to "weaponise" the nuclear capacity it proved with tests last May and will dismay Washington, which has been urging restraint on further missile development by both India and Pakistan.

Tests are likely to inflame both Pakistan and China, with which India has been tentatively seeking to rebuild relations since its

uclear tests. Officials of the Defence Research and Development Organisation (DRDO), the agency responsible for India's indigenous missile programme, confirmed yes-terday that the government had approved tests for Agni II, a 2,000km-plus version of the already proven 1,500km range Agni missile.

"There will be tests," said one DRDO official. "Govern-ment has given the OK." Other officials hinted the tests could take place next year. "You will know two months before it happens, since we must lodge advance notice for clearance of air and sea lanes in the Bay of Bengal," said another offi-

The officials remarks come after George Fernandes, the defence minisseven rounds of bilateral talks between Washington and Delhi since India's nuclear tests had made "no

Washington has made a priority in these talks of its couraging either India or Pakistan from risking further tension in South Asia by any fresh missile testing or deployment. However, A.P.J Abdul

Kalam, scientific adviser to the defence minister and an Tests are set to begin next architect of India's military nuclear programme, told a press conference at the Bangalore airshow that scientists at the DRDO were working "very hard" to bring the Agni II into full production. "It will be done."

he said. Replying otherwise goom! cally to questions about if and when tests would take place, he said only: "Any missile has to go through

The Agni II is a development of the two-stage, solid and liquid fuel propelled Agni which has been tested three times. Both missiles are seen as chiefly designed to offer a long-term deterrent to China, among the reasons cited by leaders of the ruling Bharatiya Janata party to

justify India's nuclear tests. However, any further long-range missile tests would also risk reviving hostility from Pakistan, with which India recently resumed peace talks, largely

under western pressure. Both sides are due to discuss post-nuclear test "confidence building measures" in resumed talks next February, though missile tests would throw a shadow over such talks.

Brajesh Mishra, recently appointed as India's first National Security Adviser, has said it was Pakistan's decision to test its own 1,500km missile, the Ghauri. soon after the BJP came to power in Delhi which was the immediate spark for the new Indian government to undertake its five nuclear test blasts on May 11 and 13.

#### BUDGET WARNING OBJECTIVE IS TO OFFSET SHARP DETERIORATION IN CITY'S FINANCES Metropolitan Tokyo cuts investment

The Tokyo metropolitan its public investment by 16 could hit central government per cent to Y890bn (\$7.5bn) next year, in apparent defiance of the Japanese government's attempts to boost the ailing economy through

overall budget by a record 4 that the national governper cent in fiscal 1998 to ment is taking." Y6,400bn, to offset a sharp deterioration in the city's finances. "We know it is important to stimulate the one-fifth of all public investeconomy, but we cannot let ment, the central govern-Tokyo go bankrupt," a ment is now urging them to

financial pressures now as Osaka and Kanagawa, building in Japan's local have warned that they face governments, which are huge deficits next year.

and falling tax revenues. If Tokyo's step is copied by other administrations, it efforts to boost demand through a planned Y24,000bn

stimulus package. Yoshito Sakakibara, econo mist at Goldman Sachs, said: This obviously goes against Tokyo also plans to cut its the fiscal stimulus initiative

Since the local governments have traditionally been responsible for up to take steps to boost the econ-The step highlights the omy. Several regions, such

The Nikkei Shimbun newspaper yesterday estimated that these cumulative deficits would exceed Y13,000bn for all local governments next year. Tokyo officials fear that the city will face a Y450bn shortfall, even after implementing a 4 per cent

"We have to cut expenditures immediately." a city official said. Further cuts might soon be required.

The home affairs ministry has suggested local governments should plug the financing gap by issuing special . But the finance ministry fears that more bond issuance would fuel investor concern about Japan's budget delicit, projected at 10 per cent of gross domestic product next year.

These concerns have already triggered a recent the benchmark 10-year Japanese government bond, for example, yesterday closed at 1.11 per cent, 0.06 per cent up on the day.

The finance ministry's quarterly business survey yesterday showed corporate sentiment was now at its lowest for at least 15 years, while investment spending was 12 per cent lower than the same period last year.

The Bank of Japan said the balance of outstanding bank lending fell by a record 4 per cent in the year to November. The Tokyo Stock Exchange said it expected current profits at big Japanese companies to fall 21 per cent in the year to March.

### Indonesia to bail out 56 banks

Indonesia is to recapitalise 56 banks after an audit of the sector found they had failed to meet minimum capital adequacy ratios and that many were insolvent, Bambang Subianto, the finance minister, announced last

compution investigations.

Tanri Abeng, the minister

The long awaited recapitalisation plan, whose costs will be met through a mixture of special bond issues and direct budgetary finance, was announced yesterday in the run-up to another review of the Indonesian economy by the International Monetary Fund. It comes amid mounting concern that Indonesia has

been dragging its feet on by the IMF. Economists said there had been disagree ments within the adminis tration of President B.J. Habible over which of Indonesia's 200 banks to

Banks on the recapitalisa tion list include the listed state-controlled Bank Negara Indonesia as well as six other public sector institutions all of which are insol-

Mr Bambang said that to qualify for recapitalisation banks must submit business plans to the central bank as soon as possible showing how they would return to a capital ratio of 8 per cent of sets within three years.

### Winter brings a new chill of repression to Beijing Much of the optimism that arrived with visits from the west has suddenly evaporated, James Kynge reports

displayed in the run-up to past. But rhetoric has by no In the west, it implies uni-President Bill Clinton's summer visit was widely hailed as evidence of a "Beijing spring" - a promising new

climate for liberal ideas. But now that the year's busy diplomatic calendar, which also included visits from Tony Blair, UK prime minister. Lionel Jospin. French prime minister, and Jacoues Santer, president of the European Commission, is over, winter has brought a new chill to the country's

The leaders of China's first opposition party, who proclaimed their association on the day Mr Chinton arrived in June, have been rounded up. Three, at least, seem set to be charged with treason. They include Xu Wenli, a veteran democracy cam-paigner hauled into police custody when Mr Blair was in Beijing, to be released hours later after a UK government complaint.

Human rights activists say of the spring and summer, which undoubtedly helped make the state visits successful, has now evaporated. its policies. "It was a strange kind of spring, if it was a spring at second most powerful man all," says Catherine Baber, in the China's Communist Amnesty, the human rights

reality." It is clearly in China's democracy in China.

The unusual tolerance for west, defusing the criticisms tic wrangling. There is also a dissenting views and which have interrupted its mismatch of understanding open debate that China diplomatic initiatives in the of the term "human rights". serve of Beijing.

> visit to a Chinese village but only relative concepts. reputed to have held elections, shared with somewhat bemused villagers the cut and thrust of a presidential campaign. He noted what he called "village democracy" in China. In reality, China's experiment with village elec-

'It was a strange kind of Beijing spring - if it was a spring at all'

blance to Jeffersonian ideals. Elections have been held in many of China's 930,000 villages, but, with only 17 ministry officials monitoring them, abuses are thought to be widespread. Ballot boxes that much of the optimism are sometimes used, sometimes not. Candidates are not allowed to oppose the ruling Communist party or

This month, Li Peng, the researcher for party, ruled out the possibility of opposition parties. His pressure group, in Hong statement seemed to deflate Kong. "There is a huge gap Mr Clinton's confident prebetween the rhetoric and the diction in Hong Kong that there "can be" and "will be"

means been the sole pre- versal individual freedoms: in China's official view. Mr Clinton, during his there are no universal rights

> "Human rights cannot be separated from the historical economical, political, social, cultural and religious values of each country," said Tian Jin, an executive council. member of the official China Society for Human Rights Studies and United Nations Association of China.

China's priority was to ensure economic and devel-opment rights, he added. It is at the government's dis-cretion to decide when an activity threatens the interests of society as a whole. This month, it put on trial for treason a computer engineer, Lin Hai, whose offence was, allegedly, to supply 30,000 e-mail addresses to a Chinese dissident internet publication based in the US.

To many, such actions appear at odds with Beijing's October signing of the United Nations covenant on civil and political rights, a cornerstone treaty on civil liberties. Beiling has signed. but feels it does not have to abide by the covenant's statutes until it ratifies the document, perhaps many years

Even then, it is likely to present a tolerant face to the only word subject to seman-could mean the setting-up of emerging.



The Universal Declaration of Human Rights is displayed outside the Hong Kong government

organisations opposed to Communist authority "We will take a reservation on the freedom of association clause," one official said

Another difficulty would be the clause enshrining the freedom of movement. Everyone in China is supposed to live where residence permits allow, unless special permission is granted. The aim of this rule is mainly to prevent move ment to cities by a rural pop-

ulation of 900m. But despite this new chill, genuine progress can be glimpsed in the building of some elements of a civil society, such as a more profes sional and less corrupt legal system. One recent step in this direction was a decision to open trials to Chinese citizens from next year.

A few non-governmental organisations, concerned mainly with environmental issues, have been set up. exempt itself from some of They have to put up with the more "difficult" clauses, regular government interferanalysis say. The clause pro-viding freedom of associa-their existence is remarktheir existence is remarktion is one with which Bei- able, at a time when-a new interest, diplomats say, to But democracy is not the jing has difficulty, because it harder line on dissent is

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### Top Chinese dissident 'to be charged'

By James Kynge in Beijing

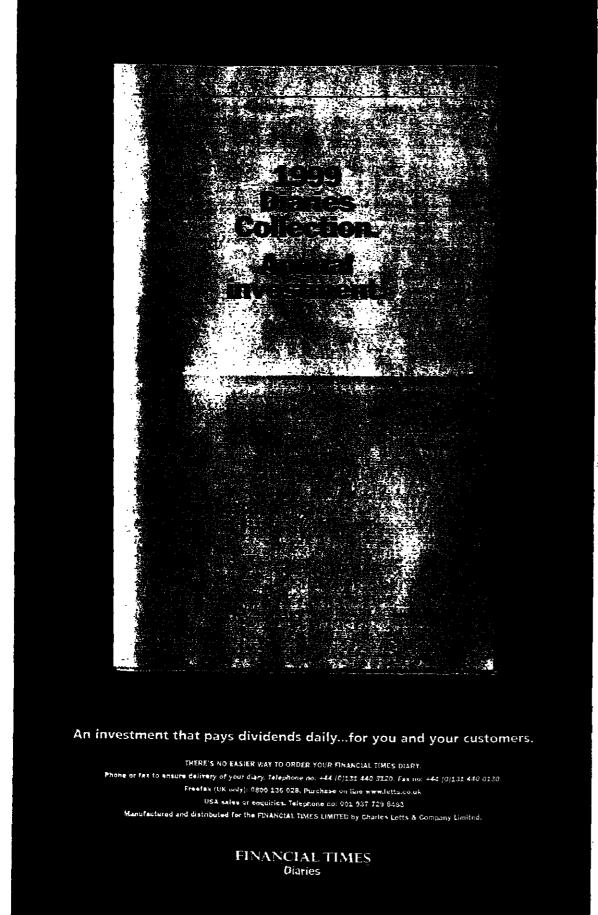
based in Hong Kong said

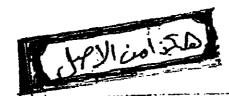
Kn. 55, is to be charged with movement who was released said he would probably be charged with "incitement to in China.

It was not clear what Mr 1978-79 Democracy Wall

Xu Wenli, a dissident who pressed police as to what played a central role in set offence her husband had still in China, Mr Xu became played a central role in set of the stablishment of the communist China's communited, she was told to a leader in the establishment first - but unregistered - "go home and read the crimiopposition party, is to be for nal law, said the informaand Democratic Movement munist party's monopoly on power but has not been Mr Xu is a veteran of the allowed to register.

overthrow state power". The same charge was brought this month against one of his associates, Qin Yongmin. opposition party, is to be for that way and the comman region of firm an Rights seeks to challenge the Commember detained at the Wang Youcai, another party same time as Mr Xu, has had the date of his trial fixed for Human rights analysts Hangzhou. December 17 in the city of





poised fy US 2,000km car missil

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### Ruling cheers Straw's party

By Andrew Parker, Political Correspondent

Jack Straw, UK home secretary, delighted the Labour party and human day by clearing the way for the extradition to Spain of Augusto Pinochet, the former Chilean dictator.

Mr Straw, who has MPs with his draconian measures to crack down on erime, said he would allow magistrates to hear Spain's case for the extradition of General Pinochet, adding that the charges against him

Some Labour MPs bad feared Mr Straw would refuse to authorise proceedgrounds or because the case could damage Chile's fledg-

When José Insulza, Chile's foreign minister, pressed on November 28 for Gen Pinochet, 83, to be allowed to ble prosecution there, speculation mounted that Mr.

request from Chile, On Spain's request for Gen Pinochet to stand trial on charges of attempted murder, torture and hostage taking, Mr Straw added: "It does not appear that the senator is unfit to stand trial."

Ann Clwyd, a Labour MP angered leftwing Labour and head of the parliamentary human rights group. welcomed Mr Straw's deci-She said: "I had every

faith in Jack's good judg-

ment. Britain has proved its commitment to international law. The families of the disappeared and his victims may finally receive justice." Mr Straw's involvement ings on compassionate with Gen Pinochet is not over yet. If London's Belmarsh magistrates are satisanswer, the home secretary will take the formal decision

> Pinochet's extradition. Mr Straw has been wres tling with the most politically sensitive decision of his ministerial career since the

STRAW'S DECISION 'NO SUFFICIENT GROUNDS NOT TO PROCEED

on whether to order Gen

However, the home secre- House of Lords ruled on trade and industry secretary. tary last night said there November 25 that Gen Pino- said soon after Gen Pinohad been no extradition chet, as a former head of

> The dilemma over the past two weeks has been immense. If he had refused to authorise proceedings at Belmarsh magistrates' court he would have been condemned by the parliamentary Labour party. Mr Straw, after all, was among those who demonstrated against Gen Pinochet's regime during the 1970s and 1980s.

However, by clearing the way for Gen Pinochet's extradition, Mr Straw risks causing lasting damage to Anglo-Chilean relations. There is also the question of the UK's relations with the US, which has signalled its opposition to Gen Pinochet standing trial in Spain.

seek to reduce the damage by insisting Mr Straw took a quasi iudicial decision, in which political considerations played no part. That argument was made

more difficult to sustain

after Peter Mandelson. UK

Chile is the second higgest purchaser of British defence equipment in Latin America, and Gen Pinochet had been a key contact through the

claim to diplomatic immu-

Mr Mandelson did not

appear to anticipate the dip-

lomatic storm which was

unleashed by Gen Pinochet's

arrest. Baroness Thatcher.

former Tory prime minister,

led the protests by remind-

ing Britain of the supportive

role Gen Pinochet played

during the Falklands conflict

Fowler, Conservative home

affairs spokesman, said: "Mr

Straw has caved in to the

pressure from his own back-benchers and ministers like

whether to authorise pro-

ceedings. Mr Straw received

representations from the

Foreign Office and the Minis-

try of Defence.

While he considered

with Argentina.

nity was "gut wrenching".



General Augusto Pinochet: UK ruling has delighted human rights

Madrid 'respect' for legal processes in UK and Spain

### Political consequences 'not severe enough'

By John Mason, Law Courts Corresponden

The political consequences to Chile and the UK of extraditing General Pinochet to Spain to face trial were not severe enough to block a Spanish prosecution of the former Chilean dictator. Jack Straw, the UK home secretary, said yesterday.

Mr Straw said he had considered the possible effects of extradition proceedings on the stability of Chile, its future democracy and the UK national interest.

A parliamentary answer issued on Mr Straw's behalf said: "He has concluded that the material and representations put before him do not amount to sufficient grounds European Convention on not to issue an authority to

Mr Straw also rejected appeals by Gen Pinochet's lawyers that he should be freed on humanitarian and medical grounds. He said Gen Pinochet did not appear to be unfit to stand trial.

He dismissed arguments that Gen Pinochet should be returned to Chile to face trial. There was no extradition request from Chile while there was no provision of international law which excluded Spanish jurisdiction, he said.

Mr Straw did not consider that the possibility of a trial in Chile outweighed the UK's obligations under the Extradition to extradite Gen Pinochet to Spain.

He gave authority to proceed on the alleged charges of attempted murder, conspiracy to murder, torture, conspiracy to torture, hostage-taking and conspiracy to take hostages. However, he decided the charge of genocide should not be allowed to proceed because the contents of the extradition request did not satisfy the definition of genocide under extradition law.

The normal extradition process will start tomorrow when Gen Pinochet must appear for a bail hearing at Belmarsh magistrates court

### Government ready to bite the bullet

If Spain's centre-right government was uneasy and embarrassed by the prospect of having a Madrid court put General Pinochet on trial, it was not showing it yesterday. Government spokesman Josep Pique said the prohlem was complex, but the government. respected" the legal proses in the UK and Spain and the decision taken by Mr Straw, the UK home secre-

The government of José Maria Aznar, nrime minister has repeatedly insisted it wants to let justice run its now been cleared with the course in the Pinochet affair.

lier said Mr Aznar was has discounted Pinochet's secretly hoping Mr Straw would block Gen Pinochet's extradition to Spain and let humanitarian grounds," he the 83-year-old general fly said. The extradition has virhome to Chile. Mr Aznar wanted an easy

exit from an embarrassing political and diplomatic dilemma that has strained ties with Chile, one of Spain's most important trading partners.

leftwing politician, constitutional law professor and one of the chief lobhvists in Spain for Gen Pinochet's extradition, said that the path for a Madrid trial had

cles. "The House of Lords immunity and Mr Straw will not exercise discretion on tual 100 per cent support among Spaniards.

The business community, however, has voiced its concern over the fallout that the case will have on Spain's trading relations in Chile.

Spanish investment in Chile last year totalled nearly \$2bn and accounted for 14 per cent of Spain's total foreign direct investment. Endesa, the electricity group, and Telefonica, the telecommunications carrier. are both important investors

CHILEAN ARMY FEARS OF REBEL ACTION

### **Decision** is 'abusive and humiliating'

The Chilean army yesterday described the UK's decision over Augusto Pinochet, the former dictator, as "abusive and humiliating" and reiterated support for its former

There are fears among commanders that the sight of General Pinochet being led handcuffed into a London court could spark rebel action by more extreme members of the armed

Raul Troncoso, Chilean interior minister, said yesterday there would be a meeting tomorrow morning of the national security council, on which the four chiefs of the armed forces sit. The four commanders met late last week with Jose Miguel Insulza, foreign minister, and were apparently prepared for a negative ruiing from the Home Office.

A senior army intelligence officer admitted in private that the army was pessimistic, and that there was nothing it could do to help its former commander. Their fear, he said, was of a smallscale mutiny by "hot-heads".

possible rightwing paramilitary actions. However, so far the bomb and death threats against leftwing figures and British and Spanish diplomats have gone no further

Meanwhile, Mr Troncoso said: "[The government] will use all the means at its disposal to reverse this situa-

The Chilean government's immediate reaction to yesterday's decision by Jack Straw, the UK home secretary, was to recall its ambassador to the UK

It said Mario Artaza would fly home to Chile for consultation before returning to his post. The government made a similar gesture of protest in early November, reaction to the Spanish government's support for judge Baltasar Garzon's extradition warrant.

Unlike the judgment of the British law lords two weeks ago, which cleared the way for the extradition to Spain Mr Straw's decision had been expected both in government and in rightwing opposition circles.

The leaders of the Fundacion Pinochet, a charitable body dedicated to promoting the general's achievements and which led violent street demonstrations when the general was first detained. echoed the government's call

for calm yesterday. The rightwing parties have vented most of their rage on the Socialist party, some of whose leaders have lobbied actively for the general's extradition to Spain. Mr Straw's ruling was "to

be expected", said Juan Antonio Coloma, general secretary of the UDI, one of the two opposition parties, because this is all part of a Socialist conspiracy" Alberto Espina, president of Renovación Nacional (RN), the other rightwing party, said: "The Socialists are directly responsible, motivated by their desire for

He said the RN would launch a movement "to defend the dignity of Chile". However, a spokeswoman for the families of the victims of the military dictatorship said: "We are very happy [Gen] Pinochet will finally appear in court for his crimes." Amnesty international, too, welcomed the decision, pointing out it coincided perfectly with the 50th anniversary of the Universal Declaration of Human

Rights. Pinochet has not escaped

### IN THIS WEEK'S ISSUE

- The euro will you lose out?
- Why mergers are coming to Europe
- Showdown in Korea The chaebol have strengthened their grip on the economy







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### shift on impeachment

The White House yesterday as a formal rebuke or cenwrapped up its two-day defence of President Bill Clinton amid signs that more Republicans in Congress may be against impeaching him over the Monica Lewinsky scandal.

Following the more concil-iatory approach taken by Mr Clinton's lawyers at the judictary committee hearings this week, Amo Houghton of New York became the latest Republican to declare that he would vote against articles of impeachment relating to the president's attempt to cover up his

affair with the former White House worker.

In the rapidly shirting political environment in Washington, Mr. Houghton is one of ground 38 moderate. Republicans who are being furiously lobbled by the White House to break ranks with their party leadership and oppose impeaching Mr

To stave off impeachment Mr. Chinton is expected to need the support of between 15 and 20 Republicans, in potential Democratic defec-

The White House said it was pleased with the way proceedings had gone so far. Joe Lockhart, Mr Clinton's press secretary, said that the president's legal team had provided a "serious and com- to b prehensive" rebuttal to tee.

To strengthen its case the

The panel, which included William Weld, a popular were completing work on moderate Republican who argued that the allegations Saturday. and evidence surrounding the Lewinsky scandal did not meet the standards for routine criminal prosecu-

sure of the president by Con-

He called for a vote of censure combined with written acknowledgment by Mr Clinton of wrongdoing, a fine, a final report on the president's conduct, and the possibility of criminal prosecu

tion when Mr Clinton left "It's a political suggestion but this is in part a political process." he said. "I think the dignity of the House would be upheld if

The committee is

expected to approve at least one count that Mr Clinton

committed

something like that were to part to compensate for be approached and everybody could perhaps get on more easily with attending

to the public's business." Mr Weld said. Henry Hyde, chairman of the House judicial committee, said that he thought it was fair for such a motion to be considered in commitcharges that the president But it remains unclear committed impeachable whether the Republican

leadership would allow it to be debated on the House White House called a num- floor for fear that it might ber of former prosecutors to encourage faltering modertestify on the president's ates to reject impeaciment as an option. Mr Hyde said investigators

possible articles of impeachlast year stepped down as ment for the committee to Massachusetts governor, vote on late tomorrow or The highly partisan committee is expected to

approve at least one count that Mr Clinton committed tion, let alone impeach perjury, paving the way for a went vote by the full House next

#### **NEWS DIGEST**

**US CURRENT ACCOUNT** 

#### Trade deficit hits record \$61.3bn for third quarter

The deficit in the broadest measure of US trade widened to a record \$61.3bn from July through September, the

Commerce Department said yesterday.

The current account trade deficit grew by 8.1 per cent in the third quarter from \$56.69bn in the second quarter. It measures not only trade in goods and services but also investment flows into and out of the US, making current account the most all-encompassing gauge of trade activity with the rest of the world.

The third quarter deficit was well above Wall Street economists' forecasts for a \$58.6bn shortfall. It was the fourth consecutive quarter in which the current account gap set new records.

The department said the swelling in the third quarter deficit resulted from a bigger shortfall on investment income and a smaller surplus on services than during the second quarter. But it noted the deficit on goods trade was virtually unchanged. Reuters, Washington America's charmed existence, Page 15

All Control of the Co

#### YBM in hands of receivers

YEM Magnex International, the magnet maker, has been timed over to a receiver and the company's board of directors has resigned, saying there is no possibility the company's shares will resume trading.

The directors also warned late on Tuesday that hey had

been advised by the company's counsel that YBM was certain to be indicted on criminal charges by a US trand jury unless it entered into a guilty plea agreement.

The US Federal Bureau of Investigation raided YIM's

Pennsylvania headquarters in May over "possible liks between YBM and certain alleged organised crime nem bers". Edward Alden, Toronto

ACCOUNTING RULES

#### US crackdown in prospect

companies in recent months could lead to tougher lifes on the way directors supervise preparation of their ompany's accounts, according to people involved in the po cess. The Securities and Exchange Commission has already launched a campaign to crack down on loos

"There are no regulations on the composition of [adit] committees, or on how independent they have to belor on self-assessment," said Lyn Turner, chief accountant if the SEC. He was speaking as a high-level committee formed by the SEC held a public hearing on the subject yestrday. Accounting irregularities have been behind some of the biggest US corporate scandals this year, including at cendant, once a nigh-flying services company, and at Su-beam, a household products company. Richard Waters, New York

On the web today

 Canadians reluctant to accept healthcare spending cuts prescribed by Ottawa ● Wildcat strike hits UF\$ in Chicago ● Southwest eyes entry to New York area http://www.FT.com/Americas

### First apeman skeleton found

thecus who died about 3.5m swing through the trees.

years ago – bave been dis-

links," said Ron Clarke of lower law and teeth, found by Dr Clarke and his assistant is something that every palaeoanthropologist would dearly love to find. This is complete. the culmination of a long search for the fossil remains of our ancestors."

stand how this species of said Dr Clarke's find of the opened a box labelled as Australopithecus moved oldest virtually complete monkey bones in a cupboard The first complete skull of around militons of years ago; the structure of its feet sugskeleton – the fossi remains gests that it walked upright of a four-foot tall Australopi on the ground but also

Previous hominid fossil covered in South Africa, sci-finds have mostly been in and some of the skeleton entists announced yesterday. fragments. But the limbs still remains embedded in individual.

"It is one of the missing and skull, complete with rock in the tave – but it is Assuming." who made the discovery. It tants in a cavern at Sterkfontein, west of Johannesburg, seem to be almost

Professor Phillip Tobias. professor emeritus at the university's anatomical sci-The significance of the ences department, who has

probably the most important such find in Africa.

It is not yet known whether the specimen is male or semale - the skull assumed that the ape-man fell down a hole and died today," said Dr Clarke. "But

it was fully bipedal."
The find was the result of find is that it will let scien- also studied the Sterkfontein luck and some remarkable Astonishingly, Stephen Mottists know what kind of fossils, said: "We are getting detective work in 1994 Dr sumi found it by torchlight skull goes with what kind of down nearer and nearer to Clarke found and identified after only two days, and it limbs - giving them a clear the critical parting of the some hominid foot bones in fitted perfectly. Later, be idea of the body's propor- ways between the hominids two boxes in a shed at Sterk- found the skull.

tions - and help them under- and the African ages." He fourtein; three years later he skeleton of a hominid was at the university and found among them bones that fit-ted his earlier finds; his search through boxes and polythene bags continued until he had 12 foot and lower leg bones from one

> Assuming that the rest of the skeleton was still in the cave - where quarry workbecause there is no sign of ers had used explosives 70 the body having been eaten years ago to extract limeled a life very similar to the broken shin bone to two of life led by chimpanzees his assistants in the hope that they would find the ing out of the cave wall.

> > being forced to join the

army, after the Supreme

Court ruled it was illegal to

exempt them from conscrip-

In a unanimous ruling by

the 11-member panel, includ-

ing two religious judges, the court said the Knesset (par-

liament) had a year to draw

up legislation ending an

arrangement which, for

decades, has exempted tens

dox religious schools, from

The ruling on one of the

most divisive issues between

was welcomed by Amnon

Rubenstein, a leading mem-

ber of Meretz, the opposition

leftwing party, which had

appealed to the court to

scrap the status oun. The system was "discrimi-

secular and religious Jews

military service.

tion.



Phillip Tobias with anthropological models. His find has hands and

### Accountancy reform plan Religious exemption from Israeli army ruled illegal

A power struggle broke out cross-border listings in New yesterday for control of the York, Tokyo and Toronto. International Accounting body trying to establishing a single financial reporting code for the world's biggest companies - when it published a long-awaited blueprint for constitutional

the powerful Financial between the accountancy Accounting Standards Board profession - represented on of the US, said he viewed with "concern" the proposal in Shaping LASC For The Future to give its board a veto over rules developed by the world's leading standardsetters. He said the proposals meant that the world's technical accounting experts could be "overridden" by a global harmonisation and group which was "less independent, less objective, and arguably less technically

qualified". governance should be con- - including setting up a sidered by losco, the club of World Accounting Standards the world's leading stock Board based on the FASB or Accountancy Column

starts to consider endorsing Australia, Canada, New Zeathe LASC's standards for

sparks power struggle

"I think the two are rightly to be considered together. The independence and objectivity of the due process is of concern to us," he said. His comments mark the

first round of what is likely to be a bitter struggle for Ed Jenkins, chairman of control of the IASC's process the board – and independent national standard-setters who draw up the code and will have to shoulder much of the costs.

Sir Bryan Carsberg, sec-retary-general, said the IASC was still in "pole position" to become the vehicle for of the experts. that it had the explicit support of the G7 and the International Monetary Fund.

But he recognised that market regulators, as it the powerful G4+1 group of on www.ft.com

hand, UK and US. The constitutional blue-

print sets out rules governing the division of power between the board and a new standards development committee. It gives ultimate responsibility for publication of standards to the board.

But the standards development committee - which will have 11 members but be dominated by leading standard-setters like the FASB will have a high level of control over its work. The board will require 11

votes out of 25 to block any standard the first time it is the Yeshivot, or ultra-Orthoput forward - a hurdle which increases to 13 if the standard is resubmitted with the support of nine or more Ultimately any changes to

the constitution of the IASC must be backed by the leading national professional accountancy bodies. And he said the issue of alternatives were emerging LASC paper available at unun iasc ora.uk

and religious Jews to draw Israel's religious parties up a formula enabling conyesterday vowed to prevent religious students from scription of the ultra-ortho-

dox, or Haredim.

But Shlomo Ben-Izri, a leading member of Shas, the ultra-orthodox party in the coalition government of Benjamin Netanyahu, prime minister, said no country could force religious males into the army. "We will make sure we find a solution

We will find a solution' of thousands of students in

> that is good for us." Nearly 30,000 Haredim were exempted from the army last year, claiming they were studying full-time in the heavily subsidised Yeshivot. Although not allowed to work while studying, recent surveys showed many had jobs. If caught

natory, divisive and created a few months. havoc in Israeli society", he exemptions coincides with integration. said. He hoped the ruling

working they are drafted for

secular Jewish men who spend three years in compulsory military service, followed by annual reserve duty, usually lasting until the age of 42.

But reaching a compro mise with the religious par ties and the army could prove difficult.

Mr Ben-Izri said that if the status quo was changed. Shas would insist the army created Haredim units, pro vided kitchens under strict supervision of the rabbis, prevented conscripts from seeing women soldiers dressed immodestly, and allowed several hours for prayers each day. "We do not want our boys to become

secular," he said. The court ruling is likely to widen discussion involving Israeli Arabs who are banned from military service. Some deputies have suggested a national service with social welfare activities, which could accommodate the Haredim and Israeli The rising number of Arabs as a first step towards

**NEWS DIGEST** 

**GULF CO-OPERATION COUNCIL** 

#### **Gulf states to extend** oil production cuts

The six Gulf Co-operation Council states, which collectively own 44 per cent of proven global oil reserves, are to extend production cuts, agreed last June, in an effort to stabilise oil markets. The production cuts will run

until the end of next year. Kuwait, Catar, Saudi Arabia and the United Arab Emir-ates are members of the Organisation of Petroleum Exporting Countries and account for just over half Opec's total pledged output. Bahrain and Oman, the other two GCC states, are not Opec members but are to reduce output. In the final communique of the GCC's two-day annual summit, the Gulf heads of state emphasised the need for other Opec producers to adhere to production pledges. Gulf rulers also insisted Iraq should fully implement all UN Security Council resolutions and refrain from any provocative act against Kuwait or other neighbouring states. The traq government, they said, "is fully responsible" for the suffering of the traqi people. Robin Allen, Abu Dhabi

NIGERIAN ELECTION

#### Runner-up alleges fraud

Cracks began to emerge in Nigeria's electoral process yesterday when a runner-up in last weekend's local government polis, the Ali People's party (APP), alleged massive fraud had taken place and threatened to pull out of the transition to democratic rule. Mahmud Waziri, chairman of the APP, told a party meeting that supporters had been intimidated during the elections and that polling materials were distributed selectively. He then accused Abdulsalami Abubakar's government of helping the centrist People's Democratic party to win a landslide victory.

The APP groups personalities from across the country, including numerous politicians who collaborated with discredited plans by the late dictator, Sani Abacha, to have himself elected president. The party won control of a quar ter of the 774 local councils in the weekend vote. But it trailed far behind the other broad-base coalition, the PDP which won around 60 per cent of councils with a national spread which defied Nigeria's deep-seated ethnic and regional divisions. William Wallis, Lagos

**ALGERIAN MASSACRE** 

#### 45 die as violence flares

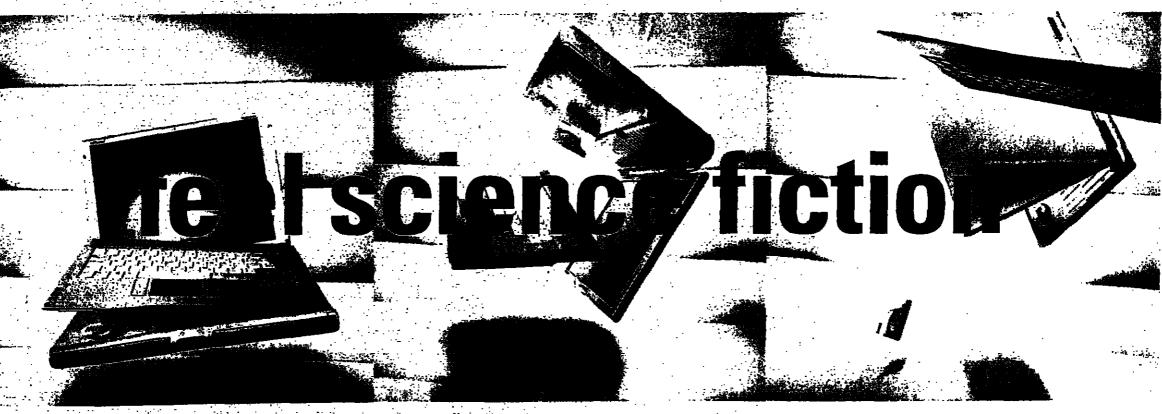
At least 45 Algerians were massacred on Tuesday night in a mountain hamlet, in an upsurge in violence which has claimed more than 100 lives in the past week. Security services yesterday said the massacre occurred near Chief, about 200km west of Algiers. It was the worse mass killing since March, when more than 45 people were killed in a

village 300km south of the capital. Attacks blamed by security forces on Islamic extremists had subsided over recent months, but they resumed last week with official reports of ambushes at road blocks,

massacres and bombings. Analysts in Algiers said the Increase in violence raised fears that the holy month of Ramadan, beginning at the end of next week, would mark another bloody period in the conflict. Attacks have tended to rise during Ramadan in recent years. Roula Khalaf, London

de deficit hits rea .3bn for third qual

equat month



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### boost for 100-seat jet manutact

Aerospace Correspondent

Trans World Airlines of the US vesterday gave a boost to ambitions of both Boeing and Airbus Industrie When it placed firm orders for 125

The airline said it had decided to split the 100-seat jet order between the two as this allowed significant discounts on list, or catalogue, prices. Both manufacturers

craft, the Boeing 717 and the Airbus A318.

We got launch economics on both orders." TWA said. the nascent 100-seat let adding that it needed the two aircraft types because it intended to use them on dif-

> The A318 has a longer range than the 717. TWA said it was also influenced by Boeing's ability to begin delivering the 717 by 2000. The A318 will not be available until 2003.

Airbus, the European conare battling to win custom- sortium, emerged as the options on a further 50. The

overall winner, with 75 firm firm orders and options have orders for its narrow-bodied

aircraft TWA is buying 50 A318s. which are powered by Pratt & Whitney engines, and 25 additional aircraft from the larger single-aisle A320 family. The firm orders have a list price of \$2.8bn.

The US airline has also taken options on a further 75 Airbus narrow-bodies, but will decide on specific aircraft models at a later date. TWA said it would buy 50

AirTran of the US, had previously placed a substantial order for the aircraft, which is powered by BMW

both

717 is built.

The order is a boost to Boeing has said it will stop manufacturers' manufacturing the remainattempts to get their 100-seat ing McDonnell Douglas civil programmes off the ground. aircraft, the MD-80, MD-90 Boeing inherited the 717 airand MD-11. It is also expeccraft, previously called the ted soon to announce an MD-95, when it acquired order for 10 717s from Pem-McDonnell Douglas, also of broke Capital, the Dublinthe US, last year. Only one other airline, based aircraft leasing com-

the formal launch of the 100-seat Boeing 717s and take Rolls-Royce engines. The TWA order is a boost to the

Beach, California, where the tional Lease Finance Corpo-

plans to build a new 100-sea-

Earlier this year it would be too expensive.

Boeing factory at Long announced that Internaration of the US planned to buy 30 A318s.

The manufacturer decided to launch the A318 after ter in collaboration with Chi-

nese and Singaporean companies collapsed. Airbus which is owned by Aerospatiale of France, Daimler-Chrysler Aerospace of Ger-Airbus hopes to announce many, British Aerospace and Casa of Spain - concluded A318 aircraft next year, with that developing a new airentry into service in 2003. Craft to be assembled in Asia

### Japan plans \$8bn boost for Asian economy

The Japanese government is considering providing a further Y1,000hn (\$8.4bn) in yen loans to its troubled Asian neighbours on a tled basis in an effort to help revive the regional economy and to support Japanese companies.

Keizo Obuchi, prime minister, is expected to unveil the plan at a summit of the Association of South East Asian Nations in Vietnam next Wednesday.

The plan to provide tied loans is in addition to the \$30bn Japan has committed to provide to five countries in the region under the New Miyazawa Plan.

Japan is also a leading contributor to a joint initiative involving the US, the Asian Development Bank and the World Bank, which will provide another \$10bn

in aid to the region. The latest plan is strongly supported by the trade ministry as well as the business community. The trade ministry, an ardent supporter of further aid for troubled south-east Asian countries. is seeking even more than Y1,000bn for the new aid package. Many Japanese manufacturers, from electronics companies to car makers, are suffering from the economic downturn in

However, the plan has met stiff resistance from the finance ministry, which is concerned about financing another aid package for the region. Discussions are

the region.

ministries and the Economic Planning Agency and it is mise can be reached by next

Government officials said the timing and amount of the additional aid was still

· Nevertheless, the Japanese government is committed to considering another aid package of some sort as part of an emergency stimulus package unveiled last month and the budget for which passed the Lower House of

the Diet this week. South-east Asian countries have actively courted funds under the New Miyazawa Plan, and missions have been sent to the five countries which qualify to study what kind of programme would best suit their

The new aid programme, if approved, would mark the first time in recent years that Japan has provided tied yen loans. In 1978 the govreduce the proportion of tied loans and since 1996 all Japanese official development assistance (ODA) loans have only about 30 per cent of contracts awarded for proiects financed by Japanese

This has led to calls from the business community and ODA projects to be awarded under way between the companies.

### **US chipmakers in** ioint research plan

By Louise Kehoe in San Francisco

manufacturers vesterday research programme, to be inintly funded and managed by the industry and the US defence department and ainted at maintaining US break down those barriers leadership in chip technol-

Fourteen US universities, led by the University of California at Berkeley and the Georgia Institute of Technology, will be involved in the first stage of the new programme to conduct design and testing of very complex chips, as well as the challenges of linking millions of transistors on

to the growth of US technol-

makers said. "We are aligning ourselves with the best semiconductor researchers and the best universities in the country to barriers of the future," said Craig Barrett, Intel chief executive. "With this team, I am very optimistic we will and fuel our future

growth. was the most ambitious try since the formation of Sematech, a research consortium partly funded by the US government, in 1987. At that time, US chipmakers feared being left behind by Japanese competitors. Over the past decade US chipmakers have redressed the

The research programme undertaken by the US indusbalance and now lead the

ogy industries, US chip- won two victories in battles over alleged dumping by Asian manufacturers of dynamic random access memory (D-Ram) chips. The on Tuesday, upheld a US anti-dumping order against two South Korean D-Ram Hyundai, imposing dumping duties on their products. Charlene Barshefsky, the US Trade Representative, said the WTO had only a "techni-

> died without undermining the anti-dumping measures. International Trade Commission issued a preliminary ruling that the US semicon ductor industry is being hurt by low-cost imports of Taiwanese D-Rams. Their pric-

cal" objection to the US

imposition of dumping

duties, which could be reme

### Rival car sales outlets 'threaten status quo

a total list price of \$3bn.

The developed world's way of buying cars cannot surtion and the emergence of rival sales channels, according to a study\* into the future of car distribution and retailing.

Only 25 per cent of car buyers in the US and Japan are satisfied with the existing car buying process through traditional franchised dealers, according to the study by consultants AT

Even in Europe, where franchised dealers are regarded more favourably. only 30 per cent of German, 40 per cent of French and 43 per cent of British buyers want to buy their next car from a franchised outlet.

America point the way towards change, whereby six alternative channels are likely to become available to buyers, says the report.

• Direct sales from the manufacturer, notably via the internet; brokers, dealing in a variety

of ways from grey (unoffi-cial) and parallel imports to contract hire and leasing Manufacturer-owned dealer outlets, including

manufacturer-branded Non-automotive supermarket chains; "Unbundled" franchised car dealer outlets with cars.

franchised separately to increase competitiveness The report is published against a backdrop of contro-

used cars, parts and service

versy over the level of newcar prices in Europe, and in the UK in particular.

called for the dismantling of the EU's so-called Block Exemption granted to the motor trade more than a decade ago, which permits new cars to be sold throughout Europe exclusively through franchised dealer networks.

The exemption was granted on the grounds that cars are potentially danger ous vehicles requiring specialist after-sales care. However, it is alleged to have kept new-car prices higher than would otherwise be the

\*The Future of Automotive Distribution. FT Automotive, Financial Times Business Ltd, Maple House, 149 Tottenham Court Rd, London

Ruggiero

plea on

dumping

penalties

Renato Ruggiero, director

Organisation, yesterday

urged the leading trading powers to keep anti-dumping measures and other strade

defences in check to speed

recovery from the Asian eco-

Giving his assessment of

world trade developments

over the year to mid-1998 to

the WTO's general council, Mr Ruggiero noted that the

overall number of anti-

dumping actions was no

higher than the 1992-97 aver-

age and was well down on

However, in a clear refer-

ence to the US and European

Union, he said anti-dumping

historic peaks.

#### **NEWS DIGEST**

#### TRADE NEGOTIATIONS

#### EU poised for free trade pact with Switzerland

The European Union is on the brink of approving a free trade agreement with Switzerland. The European Commission is recommending that EU member states back a deal which it negotiated this week with Switzerland after more than four years of talks.

In spite of last-minute reservations among countries including Spain, the Commission appeared confident last night that the deal would win approval...

The way was cleared for a deal last week when EU transport ministers agreed two separate pacts, one among on other, the othe ith the Swiss, over origina for lar ries crossing the Alps. Negotiations concluded yesterday and resolved several other outstanding differences including landing rights for Swissair in the EU and the marketing of Swiss wine from a village called Champagne.

Areas covered by the accord include free circulation of people, transport, agriculture, research and development and mutual recognition of diplomas. For Switzerland advantages include the ability of Swissair to pick up pas sengers in EU cities. The country will also be given observer status in several EU committees making decisions on issues including research. It is thought that the EU also won new concessions on agricultural tariffs worth

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A CONTRACTOR

#### PREFERENCE FOR DRUG-FIGHTERS

about Ecu67m (\$78m) a year. Michael Smith, Brussels

#### Brazil takes EU to WTO

Brazil yesterday filed a complaint with the World Trade Organisation over EU preferential terms for imports of instant coffee from countries conducting anti-narcotics programmes. According to Brazil, its exports of soluble coffee have been hurt by unfair discrimination under the EU's general system of preferences scheme that gives special duty-free access to imports from countries in the Andean group and the Central American Common Market that have programmes to combat drug production and trafficking. Frances Williams, Geneva

#### DEFENCE SPENDING

#### Future lies with collaboration

Britain expects to procure 40 per cent by value of its defence requirements from international collaborative ventures, compared with a historical average of about 10 per cent, the UK's deputy defence minister said yesterday in Washington. John Spellar, parliamentary under secretary for defence, said the world's defence industry would not escape the restructuring going on in other manufacturing sectors, most notably in the vehicle industry.

Speaking before he began talks with senior US defence department officials, he said the impetus for this "has to come from industry but we recognise that the client has a role to play in that." Asked about cross border mergers within the defence industry, he said: "Everybody is talking to everybody at the moment," and said it was too early to predict the outcome. Some companies might decide they prefer to create joint ventures rather than merge outright he said. Stephen Fidler, Washington

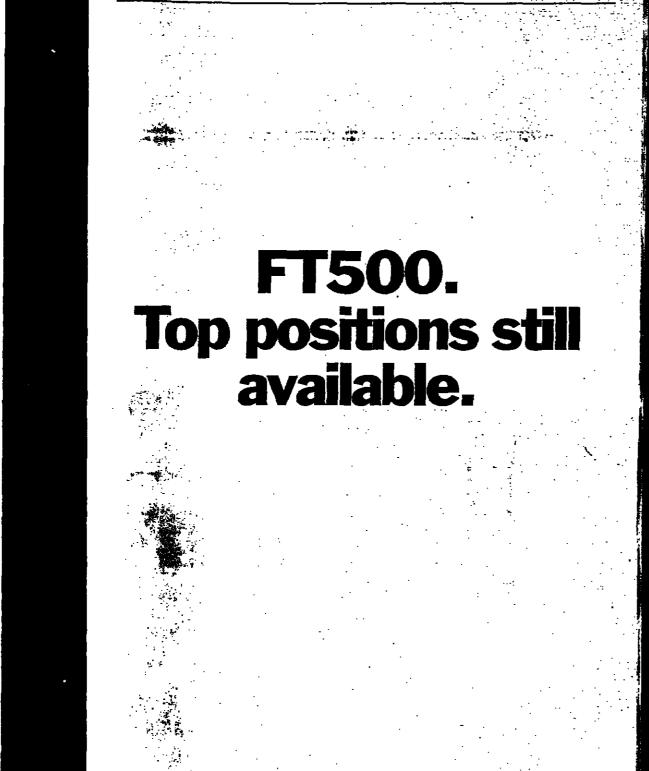
#### CASPIAN PIPELINE

#### Kazakhstan commissions study

Kazakhstan will commission three leading developers of Caspian energy reserves to conduct a feasibility study on building parallel east-west oil and natural gas pipelines, a US energy department official said yesterday. He said Kazakhstan foreign minister Kasymzhomart

Tokayev is expected to commission Mobil, Chevron and Royal Dutch/Shell to undertake a 15-month study to look at the commercial viability of shipping oil and natural gas from Western Kazakhstan's across the Caspian Sa to

The Clinton administration is urging energy companies to support a proposed 1,080-mile pipeline that would stretch from Beku to the Turkish port city of Ceyhan on the Mediterranean for moving the region's oil to western mark

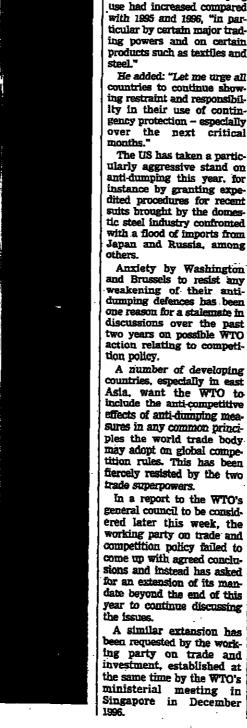


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FINANCIAL TIMES

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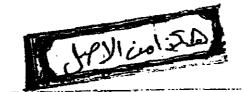
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ECONOMY SURVEY OF SENIOR EXECUTIVES FROM UK'S LARGEST COMPANIES SHOWS MORE PESSIMISM THAN BEFORE LAST RECESSION

### Business gloom fuels calls for rate cut

By Robert Chote, Economics Editor

Leaders of industry have become much more pessimistic about prospects for the economy and their own businesses, putting pressure on

The annual survey of senior executives from by capital employed.

activities in the market have

However, the UK's biggest

lenged this view in recent

months with a series of deals

in a market that ~ by its

own admission - it has

neglected.
They include a pay-as-

the US-based internet search

engine group; and the \$10m

acquisition of a 50 per cent

share in the UK business of

But the spending spree has

failed to quash criticism of

branded service with Yahool, months.

humbering behemoth

worsen. Responses came 100 financial organisations rate. already be shrinking by capital employed. At recent meetings of the Mirroring the results of

transaction services.

internet in the UK.

omy to improve over the this year, Captains of industrom the current rate of 6.75 coming year, compared with try have also become much per cent.

39 per cant who expect it to gloomier over the last 12 Forecasts of economic from 149 chief executives or cent expected the economy

Britain's largest companies

In the run-up to the last

by MORI, the polling group. recession, the largest proporshows a slide in confidence tions of semior directors to that far outweighs any seen predict a wersening in the

At recent meetings of the Mirroring the results of monetary policy compositions of industrial that sale of the meetings of the mirroring the results of mirroring the m

months. A year ago, 50 per growth have been revised down with increasing frecentral bank, to cut interest other senior executives from to improve over the coming quercy in recent weeks, rates for the third month Britain's largest 500 compared with 12 per with some analysts arguing running today.

The compared with 12 per with some analysts arguing that the economy may

before the recession of the economy over the following than on relatively upbeat their own companies than ditions than those with early 1990s. Only 1 per cent year were 44 per cent in 1989 official statistics. It is expectabout the economy as a smaller turnovers or workof the executives questioned and 45 per cent in 1990, less ted to cut interest rates by at whole. But pessimism is still forces. Companies head-in the poll expects the econ-than half the figure recorded. less a quarter-point today, increasing. Some 89 per cent quartered in London and of senior executives expect south-east England are also their business conditions to more pessimistic than worsen in the coming 12 regional businesses. The survey also highlights months, compared with 29

> simists by 64 per cent to high turnovers or large numbers of employees within the in services and retailing, pes-

quartered in London and

per cent predicting an the long-standing difference improvement. A year ago, optimists outnumbered pesbetween the fortunes of the manufacturing and service sectors. Among manufacturper cent. ers pessimists outnumber Companies with relatively optimists by 38 per cent to 35 per cent. But, among firms sample tend to be more pes-simists outnumber optimists simistic about business con- by 56 per cent to 22 per cent.

### Russia 'to spare no effort' over hostage killings

Robin Cook, foreign secretary, yesterday asked Russia to impress upon the Chechen leadership that Britain expected vigorous pursuit of the killers of the severed heads were discov-four UK-based hostages kid-ered in a sack on a highway napped in Chechnya on on Tuesday, It was the first

Mr Cook said Igor Ivanov, Russia's foreign minister, had promised his government would "spare no effort" to find the killers - in spite of Moscow's lack of influ-ence in the breakaway Rus-

sian republic. talks with Mr Cook in the margin of a Brussels meeting of Nato foreign ministers with their Russian counterparts. Mr Cook said he recognised that Russia's power in Chechnya was limited.

dov, Chechen president, yesterday said the kidnappers had killed their hostages during an attempt by Chethem. The forces had arrested one kidnapper and established the exact where-

three Britons - Darren Hickey, Rudolf Petschi and Peter Kennedy - and New Zealander Stanley Shaw. were captured by gunmen on October 3. The hostages' killing of foreign hostages since Chechnya's 1994-96 war with Russia. "It is a new barbaric act

fied by their bodyguard as

against foreign citizens who came to work in the Chechen republic, were guests of the republic, internationalists." Mr Maskhadov said. "It Mr Ivanov spoke after has filled Chechens' souls with hatred towards those who carried out this evil

> The Foreign Office reiterated that in September it had warned Granger Telecom, the hostages' employer. not to send anyone to Chechnya. Mr Cook appealed for Britons to stay away from Chechnya

The Foreign Office had chen security forces to free taken the lead in earlier successful, negotiations to free two other British hostages in Chechnya. In the latest case, abouts of the hostages when it said. Granger Telecom had An e-mail address for the killings occurred, he said it would take the lead. **NEWS DIGEST** 

**NORTHERN IRELAND PEACE TALKS** 

#### First minister plays down suggestions of crisis

David Trimble, Northern Ireland's first minist..., used a press conference in Oslo before today's awards ceremony for the Nobel Peace prize to play down suggestions of a crisis after last week's failure to agree the implementation of the Good Friday agreement.

The Nobel peace awards to Mr Trimble, as the mair unionist leader, and John Hume, leader of the moderate nationalist Social Democratic and Labour party, coincide with a stalemate in the talks, with parties unable to agree structures of the new government and paramilitaries refus ing to disarm.

Mr Trimble said he beheved the Insh Republican Army and "loyalist" [pro-British] terror groups would be compelled to start disarming "by the weight of public and political opinion". But in London yesterday, Seamus Malion, deputy leader of the Social Democratic and Labour Uster Unionist party of having "thrown back in our faces a compromise accord on the establishment of new all-Ireland bodies. He said the SDLP was "willing to sit down today, tomorrow or any day with the UUP at political level to have further discussions. In London, Tony Blair, the UK prime minister, continued talks with Northern Ireland parties, meeting Martin McGuinness, chief negotiator of Sinn Féin, the IRA's political wing. John Murray Brown, Dublin; David Wighton, London

#### TREASURY MINISTER

#### 'Lame duck' claims renewed

Geoffrey Robinson, the paymaster-general, faced renewed accusation that he is a "lame duck" after Tony Blair, the prime minister, confirmed the junior Treasury minister was no longer involved with review of the taxation of dividends. This followed a challenge to Mr Blair from Paddy Ashdown, Liberal Democrat leader, in the House of Commons over the withdrawal of tax credits on dividends that will

cost 300,000 non-taxpaying pensioners almost £25m.

During the passage of the finance bill in June, Mr Robin. son had told MPs he would look again at the decision to abolish payable tax credits for non-taxpayers. Asked by Mr Ashdown whether Mr Robinson was still dealing with the issue, the prime minister replied: "No, Madam Speaker, the chancellor has already made clear, as soon as the

decision is reached, we will let those pensioners know." Mr Ashdown's intervention followed the disclosure that Mr Robinson no longer had any involvement in tax issues fuelling further speculation about his future in the government. David Wighton, London

BRITISH TOURIST AUTHORITY

#### Offices in 12 countries to close

The British Tourist Authority, which promotes the UK to overseas visitors, is to close nearly a quarter of its overseas offices and rationalise its operations to focus on 26

As a result, BTA offices in 12 countries will be closed and replaced by "Britain Visitor Centres" in British Council offices. The closures include Mexico, New Zealand and Malaysia. Elizabeth Robinson, London



John Swingewood: 'Customers expect internet services' Shead Lynch

the group's internet policy. online services. Line One's "BT's strategy is at best confused," says Jonathan content is supplied by News International and United Buckley, managing director News & Media, the media of America Online, the UK's groups. Mr Swingewood believes biggest internet service provalue added services, rather vider. "They have made a large number of investthan price, will become ments, yet have not made increasingly important in

Sceptics unconvinced about UK telecoms

spending spree. Christopher Price reports

group's strategy even after its recent

much of an impact in any differentiating ISPs and porpart of the market." John Swingewood, head of - But he admits the recent BT's internet division, reduction of its £14.99 argues that the spread of the monthly subscription to company's online business £9.99 was partly in response although Mr Swingewood

reflects the diversity of its to the popularity of Dixons' free ISP service. customer base. Further content deals are been decided. "All our customers, be they business or consumer, promised.

internet, they are wrong." large amounts of informa-He also points out that tion up by an hits a second tion.

BT's internet business has over outling copper tele. It h been growing by 300 per cent phone wices

among the companies providing content for the ser-

says the cost when it is rolled out nationally has not

large or small, expect us to BT is trialling a fast inter- advertising revenues displac- integration of interactive offer them internet ser- net service, known as ADSL ing subscription as the main television into the digital vices," he says, adding "if (Asynchronicus Digital Sub source of earnings, Mr Swin future) anyone believes there is just scriber highly which makes it gewood is moving to As the internet takes a one route to success on the possible and transmit warm strengther.

certificates for providers of be convinced.

Independent Television e-commerce services to News and Pearson, owner of increase customer confithe Financial Times, are dence in online shopping.

There is also a plan to vice, which allows video clips to be sent to personal BT is charging £80 a month for the service,

With transaction and

install 2,500 multi-media telephone boxes across the UK from which users will be able to access their electronic mail and, more significantly, be given a free e-mail

everyone in the country is one of Mr Swingewood's grander schemes, as is the integration of interactive

lives, he believes BT's strat tion. egy will reap its rewards. It has developed digital The group's critics remain to

RAILWAY NETWORK REGULATOR ACCUSES OPERATOR OF MAKING EXCESSIVE PROFITS

### Track company faces tight regime

By Charles Batchefor. Transport Correspondent

Railtrack, the railway threat to withdraw from He also decided these ing companies.
infrastructure company transport projects such as returns would be allowed on Railtrack last month tough controls on the way it to London Underground, if of the company after the rose 4 per cent to £1.29bn in charges train operators to the financial regime is too first day of stock market the six months ended Sepuse its track.

Chris Bolt, the rail regula-

track of making excessive a "cap" on its future returns. price of 390p. Railtrack is the privatised.

Railtrack carrying out its higher returns.

tor, yesterday accused Rail- favourite with investors

tough.

Mr Bolt said Railtrack the review." owner of the national rail should be allowed a return

which has seen its share the rail link to the Channel an asset base of just £2.54bm announced an increase of 13 price quadruple since privations in the process of the price and improvements of the presenting a per cent in its pre-tax profits tisation, faces unexpectedly France, and improvements slight premium on the value to 2224m on turnover which trading. Its current market tember 30. Railtrack has proved a valuation is £7.39bn.

"Current returns appear to since it was privatised in be excessive given the effect are very disappointed. The profits from routine track. May 1996. Its shares tell 64p tive government guarantee railway needs a strong Railmaintenance work and fail- to £14.57 yesterday following for much of Railtrack's track able to invest. We fear ing to take the risks the regulator's announce income," Mr Bolt said. that today's report will lead involved in more innovative ment but are still nearly "Given the risks Railtrack is to a weakened and underrail schemes. He threatened four times their flotation currently taking, charges funded Railtrack which can-

Ninety per cent of Railinfrastructure, excluding of only between 5 per cent track's revenues are effected hard line," said Christian that of the London Under- and 6 per cent on its assets, tively guaranteed because Cowley, an analyst at ABNroughly half the present they come in the form of Amro Equities.

Mr. Bolt's tough stance level, though more innova- track access charges paid increases the likelihood of tive investments may earn under long-term contracts by the passenger train operat-

agrees has to be done."

Gerald Corbett, Railtrack

chief executive, said: "We should be rebased as part of not deliver what everyone

### Future lies with collab Virgin buys fleet MPs eager for a of tilting trains | tip from Soros

By Charles Batchelor

number of tilting carriages increasing the value of the will be made at Bombardier new book, the man who original order, first plants in the UK, France and made a fortune betting announced last March, by Belgium Deliveries begin in against stating found MPs £235m.

Kazakhstan commissio It has also decided to drop the idea of buying a mixed trains will be financed by fleet of locomotive-hauled and self-powered vehicles in favour of a self-powered fleet • Alstom, the engineering

its largest rail contract, leigh, southern England, would comprise £390m for which repairs rolling stock. the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. The company said it was the rolling stock and 5570m. contract for the new trains production methods.

and the existing Gross Country fieet.

Bombardier had intended Virgin Rail yesterday placed Bombardier had intended a £1.06bn (\$1.75bn) order to sub-contract maintenance with Bombardier Transport to English Welsh & Scottish tation of Canada for a fleet Railway, the US-owned of mainly tilting trains for freight operator, but will its Cross Country franchise . now keep the work in-house. it is developing maintenance Virgin has ordered 78 facilities in Derby and Bir-trains, but increased the mingham in the English midlands, and Wakefield, in involved from 172 to 216; the north The new trains December 2000 and run through to July 2002. The

GATX Capital. to reduce maintenance costs. company, is to cut up to 300 Bombardier said the order, jobs at its factory at East-

George Soros, the inter-ernment not to announce a national financier, vesterday target entry level should the treated politicians to a few words of his economic wisdom, warning that sterling could become vulnerable to fierce speculative attack if sign-copies of his book - a the UK stayed out of the

in London to promote his new book, the man who financial crises in emerging against sterling found MPs this year. eager to extract personal Now, though, things were views on everything from beginning to look up, he European monetary union to said. A strong recovery in tax harmonisation.

Lombard North Central and The pound's close relationship with the dollar could etary policy, suggested the prove its undoing were the global economy would avoid value of the US currency to diverge strongly from that of But he was unwilling to the euro, he said.

ment should work bard to rooment." he explained.

bring sterling and the euro into a closer relationship." He also advised the gov-

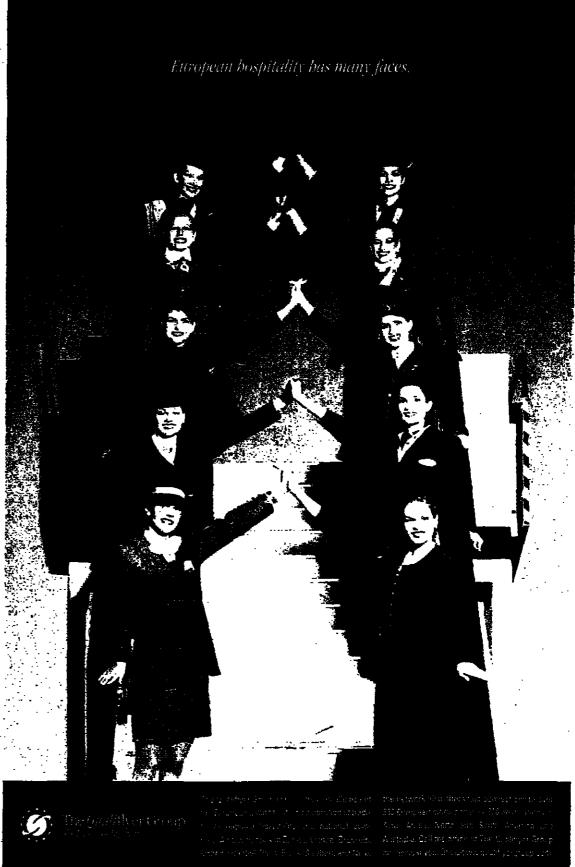
move would invite specula-Mr Soros found time to mixture of own-brand philosophy and gloom about the

world economy. But he said

markets had cost him dearly

stock markets, aided by a timely relaxation in US mon-

abandon the apocalyptic





**GROWING BUSINESS ENTREPRENEURS IN EUROPE** 

### Tending the green shoots of job creation Katharine Campbell assesses the progress of EU measures to stimulate small and medium-sized businesses

Shares in Mobilcom, the German mobile telephone network provider, soared to a peak in the summer, capitalising the seven-year-old company at DM9.6bn (\$5.7bn). This brought it level, in market valuation terms, with 3i, the large European venture capital group, which invested DM5.1m for 12.5 per cent in the business during 1994. Gerhard Schmid, Mobilcom's founder, has been generating intense curiosity among his fellow countrymen as that most un-German phenomenon, a wildly successful entrepreneur.

A paucity of such role models is one of the reasons why Europe is struggling to match the entrepreneurial job creation experienced in the US.

Yet instances of Mobilcom's kind of success are becoming less isolated, and there is a gathering political consensus across the continent on the need to encourage innovative small and medium-sized businesses as the employers of the future.

A European Commission paper, Risk Capital, a key to job creation in the European Union, published in April, has helped push the subject up the political agenda. It stressed the need to dismantle barriers to the creation of vibrant risk capital markets. A survey by the British Ven-

ture Capital Association showed that in the past four years the number of people employed in venture-backed companies in the UK - including buy-outs increased by 24 per cent a year. compared with a national growth rate of 1.3 per cent. Meanwhile, Mr Schmid today employs 900 people (even if the company has made two acquisitions, so not all

The risk capital paper was broadly endorsed in June, at the end of the UK presidency, which had worked hard to fuel the debate. Having played little part in the Austrians' agenda of the past half-year, the subject is unlikely to be advanced much at the EU summit starting tomorrow in Vienna. But Commission officials are anxious to maintain

can be counted as new jobs).

The next step is to encourage

member states to submit a progress report on the "action plan" drawn up earlier in the year, which detailed steps to be taken to remove the barriers identified (ranging from cultural to institutional and regulatory obstacles) and listed the parties to be involved in each process (whether the Commission, individual countries, or the private sector). Gordon Brown, the UK chancellor, has produced the sole contribution so far.

The most delicate area - but

one of the most potentially powerful in terms of changing the climate - involves tax. While the Commission has learnt to stress at every turn that this is a matter for national governments, it believes it can disseminate "best practice". Stock options, for instance, are seen as an important tool in helping cash-strapped voung companies attract senior managers. One official goes so far as to express the wish that "stock options be seen as solving a

chairman of the European Venture Capital Association, says: "More tax-efficient schemes would be a huge leap forward. There are widespread differences in the way options are taxed, and in some countries these can constitute quite big disincentives." Real progress seems a long way off on this front. Even in the UK,

the picture is at best ambiguous. Peter Mandelson, trade and industry secretary, has said recently the government is looking closely at what have euphemistically become known as "equity-based incentives". Yet the matter is the preserve of the Treasury, not the DTI, and a consultative paper, promised in the last Budget, has yet to appear. Vibrant stock markets are another crucial component of the

entrepreneurial equation, and the Commission's paper highlighted Europe's all too fragmented system, with its 33 bourses and numerous regulatory agencies. The London Stock Exchange

and the Deutsche Börse have implemented by national bodies. since produced plans to link up,

and a single European platform range of ambitious longer-term shape. Meanwhile Euro NM, the association of national growth markets, continues to compete with Rasdaq, the pan-Buropean Nasdaq lookalike. The Commission seems to be concentrating

One of the big uncertainties in the next few months is the attitude of the German government

on encouraging the harmonisa sectors in the euro-zone. There are also moves afoot to stimulate a system of harmonised securities regulation that could be

Hand-in-hand with a broad

for blue-chip stocks is taking goals go some specific European programmes doling out significant sums of pump-priming money designed to attract private sector investors into venture captal funds. In October, the so-called European Technology Facility – administered by the European Investment Fund – was expanded to include a start-up programme that will channel Ecul50m (\$175.5m) into ehicles specialising in seed and very early stage business

other programmes, the EIF and ETF has invested Ecul02m in the past couple of years in 20 funds, mostly early stage, ranging from Sofinnova of France to Alta Berkeley in the UK to Capricorn Venture Partners in

One of the big uncertainties in the next few months is the attitude of the new German government - during its coming EU presidency and in terms of domestic policy.

omestic policy. There has been a recent explosion of start-ups in Germany,

fostered by federal and soft state loans matching venture capital or business angel investment. The TBG programme - a subsidiary of Deutsche Ausgleichsbank – will channel DM220m into new high-technology companies this year. Jürgen Rüttgers, the former science minister, also had an enormous impact. "We have lost someone who tied his career to Germany as a centre for hightech business," says Dr Rolf

Gunther at Atlas Venture. The new red-green coalition has yet to share its thoughts onventure capital and growth-companies. Dr Günther notes: "The need for creating jobs is greater than ever. And yes, the new golfticians are talking about the opportunities. But they are very much talking about the risks,

At EU level, Germany had been noticeably cool towards the risk capital paper from the outset, and the country's presidency had anyway been expected to focus elsewhere. The next central impetus may await the Finns, great enthusiasts for the subject, in the



#### Interview Denis Ranque, Thomson-CSF

### A Sullui in search of union

The chairman of the French defence electronics group talks strategy to Alexander Nicoli

Thomson-CSF never had the character of a public sector company, according to its chairman. But this does not mean Denis Ranque's task in steering the electronics group into the private sector

is an easy one. Mr Ranque took the helm this year just as the government reduced its stake from 58 per cent to 40 per cent in a restructuring designed to create a defence electronics "pole", which grouped it with businesses from other

French companies.
The 46-year-old engineer found himself facing two dif- 1,500 to 2,000 a year agreed ficult challenges: to improve profit margins, and to secure Thomson's long-term position at a time when Europe's so this will produce producdefence industries are being rationalised to cope with reduced spending on weapmuch larger American international nature of

itself to be really govern is in marked contrast to US ment-minded", Mr. Rangae prais who sell mostly to the que is among those who have the property of the property an "insider" after 15 years an overseas sales network unlikely that we will end with Thomson, he says he and a product catalogue that with a purely monopolistic "never got the impression of goes beyond the products it structure" being part of an arsenal or anything of that sort".

But he acknowledges: Thomson-CSF key facts Now that we are a private company, we have to behave entirely as a private com. • 1997 sales IT/38.5bn. pany, and increase our level • 1997 operating income of profits.

His efforts are a test of • 1998 sales will exceed what is possible in a country FFr45bn. Possible net loss that has embraced privatise- due to restructuring charges tion but finds it hard to following acquisition of abandon the government's businesses from Alcatel and role in guiding industry and Dassault Electronique.

It is not only the govern

Order book: FF-73bn.

ment that is leaking over Mr. • Activities: Aerospace and Ranque's shealder, in the defence electronics: restructuring, Alcatel, the

obtained a 16 per cent stake. Serge Tchuruk, its chair-man, has a seat on Thomson's board. According to Mr Ranque, Alcatel "has a say on any large strategic decision - such as any alliance, approving the yearly budget and targeting profits. But for the rest, it's fully delegated to the management

Mr Ranque is also facing French limits on the pace of corporate restructuring. The 5.5 per cent operating margin he inherited will hardly rise next year and is likely to be targeted fairly modestly at 7.5 per cent in 2000. This compares with 10.7 per cent - up from 7.6 per cent a year ago - at UK rival General Electric Company.

There are two reasons. First, Mr Ranque is unlikely to be able to prune the 50,000 workforce by more than the with trade unions over the past five years. Sales are ris-ing after post-cold war falls, tivity gains, but probably pot as great as Mr Ranque would like. . The second reason is the

Thomson's business. Of its Even under state control FFr45hh (\$5hn) sales, 70 per the company never felt cent is outside France. This

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Ranque needs to secure the company's long-term position

can sell to the French government, "Our shareholders understand that we have to spend more money on R&D and slightly more in marketing costs," he says. Nevertheless, he has

streamlined the management structure, eliminating one level of hierarchy and forming eight business groups reporting to him. He wants the company's culture and career structures to reflect the international nature of its business.

It is on the international

front that Mr Ranque faces the longer-term challenge. All of Europe's main defence manufacturers are involved in intense discussions on the future of the industry, which will result in mergers. . Although the British, French and German governmenis want a single Euro-pean aerospace and defence company (EADC), Mr Ran-

training and simulation). Detection and missile

systems. Avionics,

communications and

command systems.

satellites, IT services.

SA): 40 per cent.

Alcatel: 16 per cent.

32 per cent.

Shareholders: French

government (via Thomson

Stock market investors:

Dassault Industries: 6 per

cent. Aerospatiale: 4 per

cent. Employees: 2 per cent.

Thomson has several options. It could ally with GEC, which last year was prevented by the French government from bidding for Thomson. Mr Ranque's previous job was heading Thomson Marconi Sonar, a joint venture with GEC. But the British company's focus now may be more on the US. Another option - beyond Mr Ranque's control - would be to put Thomson together with the combination shortly to be formed between Aerospatiale and Matra, the defence arm of the Lagardere group. This would create a "Fortress France" which, although it would have international alliances in missiles, helicopters, sonar and space systems, would not fit the move towards European defence integration.

He says: "A Thomson/ Aerospatiale move would not be the best way of building Europe at the moment. We put more priority on cross-border deals, and we expect our partners to do the

Given the rocky defence relations between Paris and Washington, one option that seems closed to Thomson but open to GEC is an extensive alliance with a US courpany. But this does not prevent Thomson doing business in the US, where it has a number of partnerships on specific contracts.

Thomson's concern is to keep the widest possible worldwide market for the electronic systems, as well as building the capability to be the "systems integrator" or prime contractor on big weapons programmes....

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Strangers are just friends you don't know.

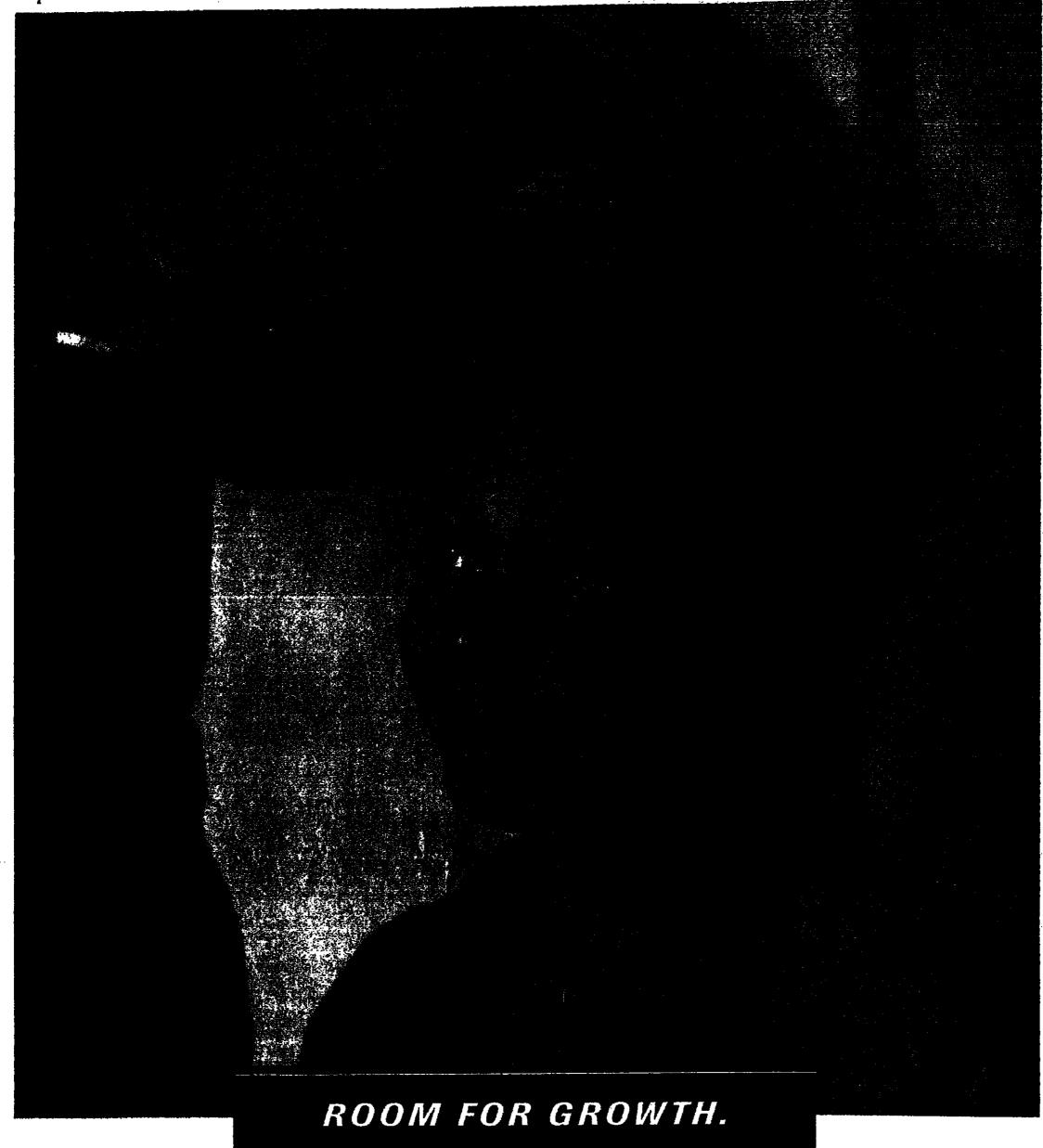
Make yourself heard.

Bricsson equipment is used in 40% of all mobile communications around the world. By mobile phone, data, pager or cordiess phone. Eriesson gives you the

ERICSSON 🗾



The power to create value



When asked about our future plans, our response is straightforward: We plan to go on growing. Profitably. We're VEBA, a German multi-business company active in electricity, chemicals, oil, distribution/logistics, realestate management and telecommunications. Last year, we achieved \$46 billion in sales and ranked among the Top 50 of the Fortune Global 500.

Our main objective is to increase shareholder value over the long term.

To reach this goal, we will continue to strengthen and strategically

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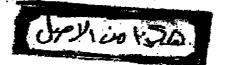
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### Up to the hilt in swash and buckle

Swallow the comy dialogue, dodgy accents and multiple schizophrenia and enjoy, advises Nigel Andrews

Yorker cartoon in which a middle-aged man sitting in minutes on the internet an armchair says to his wife, with mild-mannered but apocalyptic impassivity, "I think the hemispheres of my brain are drifting apart."

He might have just seen The Mask Of Zorro, which could have been made by people whose cerebral hemispheres are drifting apart. Not only is there an intricate family saga picturesquely at odds with an audiovisual brainstorm - a million stunts; explosions to die for, by and with - but just look at the divide between the character generations. Anthony Hopkins as Zorro

ior - the name attached o this 19th century Califor nian freedom-fighter is interchangeable, it just means "fox" in Spanish - and Stuart Wilson as the hissable carpetbagger Montero, who wants to defraud Mexico of the whole nascent state, are ing proper English. By contrast Antonio Banderas's Zorro junior, an unrelated swordplay, and his love Catherine Zeta-Jones, Sir Anthony Zorro's daughter, make with the heavy Spanish accents. They say "Hlook!" instead of "Look!" "Joo" instead of "You" and

What could explain this divide? Is it inbuilt in Cen-state-raping power-seekers. girt "Camp Walden" the tral American DNA that His- It is the kettle calling the pot estranged-from-infancy idenpanic accents intensify from white and then trying to tical twins of The Parent parent to child? Or was it bask in its reflected purity. Trup (both played by "newand "Joos" while younger always been run by ruthless and compare single-parent ardson in a tourist Britain ning an American accent

would recognise a plate of

Spanish, or its sound, in two and/or delightable audi-This movie suffering from multiple schizophrenia is directed with vim by British director Martin Campbell (of the James Bond film Golde-

neye). Lashing him on are THE MASK OF ZORRO

Martin Campbell THE PARENT TRAP

Nancy Meyers PLAYING GOD Andy Wilson

THE BOYS **Rowan Woods** 

THE TEXAS CHAINSAW MASSACRE -**Tobe Hooper** 

three American producers. high-style greyhairs speak- led by Steven Spielberg, and a rumoured umpteen writers, four of whom made it through to the credit titles. bandit schooled by the older lit is a tough world out there course exactly the subject of the film.

I have always believed that the Zorro screen franchise, inaugurated by Douglas Fairbanks in 1920, was Hollywood's way of fooling From Zorro to Thoreau is a folk-hero rather than the

There is a famous New Banderas fans could learn businessmen for demi-artists

The pleasure of this Zorro film is that you can watch it, if you want life simple, without musing on allegorical macro-politics at all. You can gasp at the gorgeous painted backdrops of silken palacios set above silver waterfalls; at the night scenes lit by more candles and flambeaux than you have seen since Barry Lyndon; at the acting prowess of the two Tonys, one all consonant-chopping ex-Welsh eminence, the other all toosled aspirates and excitable good looks and at fights, leans.

somersaults and horse-tor

acrobatics to make the last

Mask Of Zorro, starring

Tyrone Power, see

quiet evening in the gym. The film is overlong and could have pruned a plot twist or two. And at times the corny dialogue - "it's man, dammit, it's Zorro" leaves us confused over whether we should giggle like small children. Swallowman in freedom-fighting in California. Which is of ing is probably best. This is the Yuletide season and why question what is put on the table so long as it looks

> us into believing that its small distance for those surfheart is with the people's ing the cinema's space-time continuum. In wilderness-be-

pretty, is piping hot, and has

a mouth-watering aroma?



Annie's English Mum (Natasha Richardson) who is met Hallie's American Dad (Dennis Quaid) who is ditto ditto. Can the tots by scheme or stratagem bring and then enterprisingly zigthe divorcees together?

If it sounds familiar, you probably saw the first Disney version starring Hayley Mills in double vision. Here there are even wilder signs of Anglophilia. As the plot thought that older filmgoers. But then part of the attrac comer" Lindsay Lohan, vet bifurcates from summer identifying with older stars tion of Tinseltown as a cre- eran of a dozen American camp to London and Califcouldn't handle the "Hlooks" ative paradox is that it has TV commercials) meet, gasp ornia, we first meet La Rich-

limmo journey to Belgravia Bridge, the Albert Hall and Piccadilly Circus, suggesting the chauffeur picked Hallie up at some East End airport zagged. Once ensconced chez long-lost mum, all is tea, sympathy and well-dressed chaps bicycling past the window treeping bells. There will always be an England. at least in Hollywood.

Hallie? Don't we mean Annie? No, for the tots have swapped roles. Annie, donis Richardson suddenly escape typecasting and equalled.

den this oddly-scripted girl was already saying things like "Todally" and "Tell me about it", is pretending to be Hallie for dad Quaid in the grape-grower is slow to twig, when he does he is fast to

The film's editor is a man called Stephen Rotter, which may explain why it behaves like a practical joke from the cutting-room. Now it is inflated with longueurs, now it dizzily cuts corners. (Why

stories. Hallie has never met wondrous to behold. The even though in Camp Wal- drunk at the start of Act 5?) As for director Nancy hand Charles Shyer (the couple made the Father Of The Bride remakes) and David Napa Valley. The wealthy Swift, she gives the whole movie a glutinous glow as if as the plot requires, but filming through luminous syrup. Even so pre-Christparents who are nonparticular, and who have already seen The Mask Of

> children. In *Playing God*, David Duchovny of TV's The

Zorro, can fearlessly take the

establish himself on the large screen. Throwing away agent Mulder's cool together ness, he plays a drug-dependent surgeon who kills a patient and is then co-opted into working for the mob.

The question is: what mob? In this thriller directed by an Englishman in L.A. (Cracker's Andy Wilson), the villains seem like a cross between the Malia and the Bash Street Kids. They include an inexplicable cock ney henchman - perhaps here under an exchange crime studentship - and as led by a bleached-blond Timothy Hutton they spend their days driving badly, doing sub-Tarantino dia-

logue and shooting people. Surely there is more to crime than this. Surely we should know more about the rhyme and unreason behind these characters and their psychopathology. Instead the long day drags on, proving that screen violence doesn't automatically raise the pulse and that tv actors wanting to break out should choose the right day and escape

Many fellow critics swear by Rowan Woods's The Boys, the violent tale of a fissuring family in criminal-class Aus tralia. It seemed to me phony through and through A reform-minded psychopath (David Wenham) is released from jail only to find worse anarchy and violence in his own parlour. Drink and drugs, plus social depriva tion (that is, money spent on than books), drive everyone to breaking point including the audience. "A quintessentially cinematic experience. volume imitation Pinter with attitude." Financial

Whoever thought to bring out The Texas Chainsau I.S.M. award (Interesting Sick Mind). Tobe Hooper's horrorfest still exerts power, though, albeit unseasonal. And like Psycho, it has littered the world with imagery that many a film has X-Files makes a bold bid to since borrowed but few have

### Illuminated by playing it straight

The Merchant of Venice

At Stratford a year ago, Gregory Doran directed the Royal Shakespeare Company in The Merchant of Venice, which is now at the London Barbican. It is very

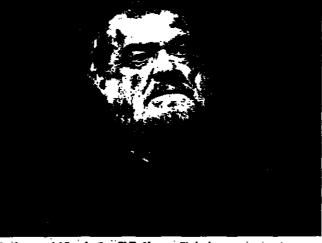
straight - no "director's concept" Far more than "political correctness", everybody's revulsion against the Holocaust has rendered Shakespeare's play "diffi-cult", as in Victorian times it was

not. Then, rightly or wrongly, the Jewish Shylock could be played as a rapacious grotesque without raising many hackles. Doran scotches that problem in the most direct way - by observing that Shylock is only the third or fourth lead in Shakespeare's play, which is primarily a dark romantic comedy about the riskfraught love of reckless Bassanio

tia: Behind them stand Bassanio's friend Antonio; and the money-lender Shylock, to whom Antonio is in bock for financing young Bassanio's star to bassanio

by Marlowe's The Jew of Malto, a few years earlier. Interesting new character-type; hitherto unexployed on the stage, but available now for a strong subsidiary role. Shakespeare contrived a sub-plot which would thrust him into pressed forward, no special kinks, sharp reflef. Gratuitously but - but continually illuminating, respectfully, he made him the better, in fact, than almost any Jewish mouthpiece for timeless, unyielding Justice, against Por-tia's preferred Christian formula of Justice plus Mercy.

That is how Philip Voss plays Shylock here, superbly and with grim dignity. He trades upon a quaint commercial Jewish accent in the earlier scenes; later, his reliance on the letter-of-the-law grows desperate and brittle, and finally tragic. Doran and Voss give the loss of his ducats no less weight than the loss of his daughter Jessica to her Christian ewain Though Voss's Shylock scores a memorable impression, he remains properly on the edge and rich, precociously wise Porof the main romantic action.



Timeless, unviolding Justice: Philip Voss as Shylock

only make rare, lively sense of another suitor for Portia's white their "metaphysical" riddlings hand. and banterings, but turn them where necessary - into off-the lighting, Robert Jones's sets look wall jokes, always intelligent. At a whole magical level above their the end, when Portia has to realistic base. Sue Willmington's announce that Antonio's lost "argosies" have been found miraculously intact, her wryly added "... suddenly!" justly reduced the denouement to

wide-eyed farce. Too little space to praise Julian Curry's positively Roman gether gripping, indeed Antonio, Sian Reeves' Nerissa, beyond the ordinary run.

That is brightly sustained by Emma Handy's Jessica or Evrov Helen Schlesinger's Portia and Deer's gorgeously flamboyant Scott Handy's Bassanio, who not turn as the Prince of Morocco,

> But in Howard Harrison's bold costumes dress everybody flatteringly, and Corin Buckeridge's scene-music boasts a confident dramatic breadth. No dedicated Shakespearean should miss this production, and anybody else should find it stimulating - altogether gripping, indeed - far

LONDON MUSIC ANDREAS SCHOLL / SUMI JO

### A collective sigh for limpid tones

If it was possible to measure a not to date been one of Scholl's Tuesday, it was surprising there was room for any audience.

might reasonably conclude it has heen his year. While his live performances have progressed nicely with success in the concert-hall and a useful first step into opera at Glyndebourne, his recording career has gone through the roof; there is not a record shop in central London that is not playing

his latest release. With that build-up, it is hardly surprising that one of the common reactions to be heard at the Wigmore was "Well, he sounds just like his records, doesn't he?". In the sense that the recording process captures Scholl's beautiful and limpid counter-tenor truthfully, the answer is yes. What a solo recital also needs is a certain charisma, which has

who have turned up at the perfor- advance in that direction. He standard recitalist. With du mance, Andreas Scholl would be may deliver the nudge-and-wink in top place. There were so many "art of kissing" in Hammerschrecord industry people at the midt's "Kunst des Küssens" com-Wigmore Hall for his recital on pletely po-faced, but the voice at Tuesday, it was surprising there ness. His full-length Handel can-Looking back over 1998, Scholl tata, "Vedendo amor", was a touch more keenly dramatised than his Handel on stage at Glyndebourne.

For all that Scholl's passport to success remains his voice - pure and simple. As he floated out the opening phrases of his first encore, Purcell's "Sweeter than roses", conveniently placed in the upper middle of his countertenor where the voice is at its most lovely, there was a collective sigh around the hall. That was what everybody had come to

He offered a short, but neatlybalanced programme: Baroque German songs in the first ball and the Handel cantata by itself after the interval. Scholl's able harpsichord accompanist, Mar-

kus Märkl, added a solo by Johann Fischer on his own counter-tenor to have attained this degree of celebrity, Scholl will succeed in establishing new boundaries to the recital reper-

On the Friday before, the Wigmore's song recital series brought a visit from Sumi Jo, the singer's standing by the number strengths, but Tuesday's appear- Korean coloratura soprano, also of record company executives ance did show a cautions more of a pure singer than a regard for the recital format she put some German Lieder into her programme, but her Schubert was shallow and her Wolf under the note.

> Perhaps predictably, Sumi Jo's singing brightened noticeably in the repertoire she is good at. A pair of Handel arias from Giulio Cesare and Rinaldo were remarkably agile, though strangely unexciting, and her encores (five of them - she was enjoying herself, and so now was the audience) included brilliant Rossini and a hypnotic "Pastorale" by Copland, perhaps a request from her American accompanist, Jeff Cohen. With her easy high notes and fine-spun lines. Sumi Jo is like a tightrope walker, who the air starting to get thin. Her breath control - hardly a surprise - was superb.

Richard Fairman

#### INTERNATIONAL

### Arts

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EXHIBITION

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High Renaissance in the Vatican: Art and Culture at the Papal Court (1503-34). The early 16th century saw Papal Rome establish itself as the centre of art in Europe: the Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael. This exhibition displays some of the masterpieces that resulted, as well as detailing the contexts in which they were produced; from Dec 11 to Apr 11

CHICAGO

**OPERÁ** Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Rise and Fall of the City of Rise and Fall of the City of Mahagonny: by Kurt Well, libretto by Bertolt Brecht. Mahagonny: by Kurt Welll, Conducted by Sylvain

Begley; Dec 13

COLOGNE

OPERA : Oper der Stadt Tel: 49-221-221 8400 Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nezis and largely forgotten until a recent recording This production is conducted by Bruno Well and staged by David Mouchter-Samorai: Dec 11, 15

DUBLIN THEATRE **Abbey Theatre** Tel: 353-1-878 7222 The Rivals: by Sheridan. New production directed by Brian Brady and designed by Conor Murphy, with lighting by Trevor Dawson; to Jan 23

FRANKFURT OPERA ... Oper Frankfurt

Tel: 49-69-21237 999 www.frankfurt-business.de/oper Die Zauberflöte: by Mozart. Conducted by Guido Johannes Rumstadt in a staging by Alfred Kirchner. With a cast including Britta Stalimelster and Kirsten Blanck; Dec 10, 12

HELSINKI OPERA

Tet: 358-9-403 021 Cambreling, with a cast including Anna Bolena: by Donizetti. Conducted by Maurizio Barbacini in a new staging by Jussi Tapola. with designs by Anna Kontek. The title role is sung by Riikka Hakola/Cynthia Makris;

Dec 10, 14

HONG KONG DANCE Sha Tin Town Hall Swan Lake: by Tchaikovsky Performed by the Kirov Ballet; Dec 10, 11, 12

LONDON CONCERTS Queen Elizabeth Hall Tel: 44-171-960 4242 Jugalbandi: Hindustani and South Indian classical music performed by musicians from India, North America and Britain;

Royal Festival Hall Tel: 44-171-960 4242 London Philharmonic Orchestra: the Rimsky-Korsakov Festival continues with Mark Elder conducting a programme which also includes works by Glinka. Mussorosky and Stravinsky. With the London Philinamonic Choir and the New London Children's Choir: Dec 10

National Gallery Tel: 44-171-839 3321 Mittor Image: Jonathan Miller on Reflection. Show exploring the representation of mirrors in art, curated by Miller and featuring

loans from public and private 12, 15 collections. Includes Van Eyck's. famous Amolfini Portrait, and works by Freud, Caillebotte and George Romney; to Dec 13

English National Opera, London Coliseum Tel: 44-171-632 8300 Boris Godunov: by Mussorasky. Conducted by Noe Davies in a new staging by Francesca Zambello, with sets by Hildegard Bechtler, Gidon Saks sings the title role; Dec 11 La Traviata: by Vendi. Jonathan Miller's production Includes Sandra Ford and Christopher Booth-Jones among the cast. Paul Daniel conducts;

**OPERA** 

THEATRE Tel: 44-171-928 2252 Betrayal: by Harold Pinter. Trevor Numn directs Pinter's 1978 play. with a cast including Anthony Calf and imogen Stubbs; Lyttleton Theatre; Dec 14, 15, 16

LOS ANGELES OPERA

**Dorothy Chandler Pavilion** Tet: 1-213-365 3500 Fantastic Mr Fox: Los Angeles Opera in the world premiere of an adapted Roald Dahl story. With music composed by Tobias Picker, libretto by Donald Sturrock and designs are by Gerald Scarfe. Cast includes Gerald Finley and Susanna Guzmán as Mr and Mrs Fox: Dec MILAN

EXHIBITIONS Pinacoteca di Brera La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Duke Ludovico of Milan travels to Italy for the first time since 1800. when it was purchased by the Polish Prince Czartoryski; to

**NEW YORK** EXHIBITION Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Letters in Gold: Ottoman Calligraphy from the Sakio Sabanci Collection, Istanbul. 70 objects ranging from the 15th to the 20th century. Includes manuscripts, panels and scrolls; to Dec 13

Metropolitan Opera, Lincoln Tel: 1-212-362 6000 www.metopera.org Le Nozze de Figaro: by Mozart. Final performance of Jonathan Miller's production. Julius Rudel conducts and the cast includes Wendy Nielson and Barbara Bonney; Dec 10

**PARIS** CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted

by Wolfgang Sawallisch in works by Beethoven. With soorano Susan Anthony, mezzo-soprano Marjana Lipovsek and tenor Wolfgang Bünten;

Opéra National de Paris, Opéra Tel: 33-1-4473 1300 www.opera-de-paris.tr The Merry Wildow: by Franz Lehár. Conducted by Armin

Jordan and with a cast including

Frederica von Stade and Hakan

Hagegard; Dec 10, 12 Théâtre des Champs Elysées Tel: 33-1-4952 5050 The Magic Flute: by Mozart. Jean-Claude Malgoire conducts and the staging is by Pierre Constant, With La Grande Ecurie et la Chambre du Roy and the Maîtrise du Centre de Musique Baroque de Versailles; Dec 11.

PRAGUE **OPERA** National Theatre of Prague Tel: 420-2-2108 0131 www.anet.cz/nd The Devil and Kate: by Dvorák. Conducted by Jan Stych in a staging by Marian Chudovský,

with sets and costumes by Adolf

13, 15

THEATRE National Theatre of Prague Tel: 420-2-2108 0131 www.anet.cz/nd The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan

Born; Dec 12

Raimont; Dec 10

SAN FRANCISCO **OPERA** 

San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 www.sfopera.com Betrothal in a Monastry: by Prokofiev. Production from the Kirov Opera, St Petersburg. conducted by Gianandrea Noseda; Dec 10 Peter Grimes: by Britten. Conducted by Donald Runnicles in a staging by John Copley. The title role is sung by Thomas Moser; Dec 11, 13

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At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN **ECONOMIC VIEWPOINT** 

### Foot on the ladder

Although it is impossible to abolish all 'welfare traps', more is involved in transfers to the needy than just work incentives

There is a fundamental problem with the cash benefits of the welfare state. If we concentrate on transfers to the most needy and taper off benefits rapidly as recipients' earnings rise, we come up against the tamiliar poverty and unemployment traps. If, at the other extreme, we go for any of the basic income schemes but forward by the radical centre then we need a high tax level which will be a disincentive to most citizens.

A basic income would provide all citizens with something like the present rate of UK income support (now conditionally available through the social security system) without a means test. Its cost has been estimated at an extra 12-250 on the basic rate of income tax - depending partly on which benefits it would replace.

This is the dilemma that Patrick Minford raises in a new book, which is primarily devoted to the celebration of "the Triumph of Capitalism and the Stakeholder Fallacy".\* The book is broadly correct on these subjects, even if unfashionable. In his final chapter, where we begin to part company, he describes the welfare state as the final frontier to be conquered. He regards my own recent book socially wet", which I take as a compliment.\*\*

He worries that my espousal of a minimum income (definitely not a minimum wage) will simply lead us from one welfare trap into another. His thesis is conveniently illustrated by a table produced by the Institute for Fiscal Studies (see below). \*\*\* This shows that Gordon Brown's **Working Families Tax Credit** (WFTC) should reduce

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marginal tax rates of 70 to 100 per cent faced by nearly 800,000 low earners at the expense of 700,000 people a little higher up the earnings

scale. Prof Minford's own solution is compulsory insurance for all. But I wonder if such a change would really solve the welfare trap problem. The ordinary citizen would still have to pay substantial contributions out of each extra pound, dollar or euro he or she earns; but they would be called insurance premia rather than taxes. There would be more choice than under standardised state schemes. But a compulsory deduction remains a deduction and still looks to those who suffer it

as a tax. The compromise which a number of British ministers of different parties have sought, starting from the late Keith Joseph and going up to Mr Brown, the chancellor, has been an income top-up, of which the WFTC is the latest example. The underlying idea is that workers with low earning capacity should still gain by taking jobs. But their top-up payments will decline as their income rises; and the cut-off taper is steeper than

the general rate of income tax plus National Insurance contributions. The chancellor's hope is that by paying these benefits through the tax system and also by making them more generous – the benefit stigma may at least be

partially removed.

Much of the nightmare costs of full basic income schemes arise from the insistence of enthusiasts on benefit earners keeping the same proportion of every extra pound they earn as the ordinary taxpayer. To insist on this is an example of the hest being the enemy of the good and is the reason why for now I advocate a *ım income* rather than a full-scale basic income. A minimum income means that everyone would have sufficient top-ups to be sure of a very basic standard of living; but it might still be

cut-off than the marginal personal tax rate. If we were moving along the minimum income route the most likely next steps in the present climate of opinion would be to extend WTFC to those who carry out voluntary or charitable

work. Eventually it could

conditional on willingness t

work and the taper would

still operate at a higher

Individuale v	eth altered o	saminal tay	rates due to	WETE MORE

Range	Nun	nbers ku	range	Numbers in range or above					
%	Before	After	Change	Before	After	Charge			
50 to 60	0	297	207	810	1,274	464			
50 to 70	79	790	711	810	1,067	257			
70 to 80	266	17	-249	731	277	-454			
80 to 90	235	145	-90	465	260	-205			
90 to 100	222	115	-107	230	115	-115			
100	8	0	-8	8	0	-8			

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If you, when are you planning to

merge with housing benefit and unemployment benefit. to form a basic minimum for those prepared to make some visible social contribution.

The problem with Prof Minford's treatment is his supposition that economic incentives are the only problem.

Another consideration is an income distribution one. For one of the main purposes of the top-up payment is to transfer a modest portion of the gains. of an increasingly affluent society to those at the bottom of the scale.

Finally, what hope is there for eventually going beyond income top-ups to a genuine basic income which everybody could draw either from the Post Office or as a negative income tax to offset agai.st his or her tax bill? The gains, if we could go that far, would be enormou The whole inquisitorial side of the welfare state could wither away. We could have capitalism without the puritan ethic. Artists. drop-outs or adventurous young people prepared to live on a modest income could follow their own inclinations knowing that they would be kept from the

Why is that now unaffordable? One reason is that if the level of benefits rises in line with real incomes and not just inflation (as it used to do under Old Labour)it will never be affordable. Basic income schemes will only be affordable if poverty is seen not just as a relative concept and if it is recognised that not having as many television sets or designer clothes as one's neighbour is different from being deprived of food, clothing or

condition which is more difficult to explain. The gist of it is as follows. If the income of someone halfway up the ladder (the "median income") is not much above the subsistence minimum then all talk of basic income has to go by the board.

It is for this reason that an unconditional minimum income is not affordable in an emerging country. It was also not affordable in early 19th century England when some magistrates tried to

Speenhamland system", which said that labourers wages should be Supplemented from local rates up to a basic minimum. This came about as a reaction to the proverbially harsh 1834 Poor

Law. This second obstacle to only partly overcome with rising wealth. If technical progress leads to a highly skewed income distribution in which the greater part of the fruits of growth accrue to a fortunate third of the population there is not much hope for basic income After many years in which technical progress has been neutral - not changing income distribution much in sither way – we have gone through a phase of ncreasing income differences. Countries adopting the continental European model have evolded this trend only at the expense of high

unemployment. But it would be estonishing if the technical progress always remained so skewed. Paul Krugman. professor of international economics at the

Massachusetts Institute of Technology, has speculated that in a few decades skilled computer operators and engineers will be in over-abundant supply, like car workers today; and the people who will command the highest rewards will be those who can do things of physical and practical type, ranging all the way from plumbing repairs to mending machines and looking after

This may seem a distant rision. But yesterday's visions are tomorrow's realities. All that I am pleading is that we leave the way open for capitalism with a human face and that incentives and productivity are recognised as only one aspect of a liberal society.

abroad.

nationally.

Markets, not Stakes (Orion Business Books, £20) \*\*Essays, Moral, Political, and Economic, Edinburgh University Press, £9.95 \*\*\*Taxes and Benefits: Implementation of Tax Credits, House of Commons HC29 Non 25, 1997

Samuel.britton@fl.com

### LETTERS TO THE EDITOR

### Delay on euro decision is folly

From Mr John Stevens MEP. Sir, I am mystified by Martin Wolf's reasons for abandoning support of early British membership of economic and monetary union ("UK" and the spider", December 2). They reinforce rather, than refute his previous contention that "delay gives us the worst of both worlds, ioining what we have had no say in creating".

He ignores the likely rapid growth in the parallel use of the euro in Britain. Unless the government prohibits development, or declares it will definitely not foin Emm for at least 10 years, this will increase the exchange rate exposure of the UK and renders Mr Wolf's complacency regarding the negative impact of EU-11, is unconvincing exchange rate volatility dangerous indeed.

A comparable complacency pervades Mr Wolfs ment of Britain's fiscal

the UK economy slows only slightly more than most City predictions, the financial strategy of Gordon Brown. the chancellor, could become

pendence and political con-trol constitutes a sure prowidely accepted as the greater inflation propensity of the UK, compared to the

Does Mr Wolf really think that the Bank of England's monetary policy committee has covered itself in glory during its short history? His claim that it is more "professionally competent" than the board and council of the European Central Bank is unsound. His notion that the compromise between indetection against what is

The Euro-Keynesianism of Oskar Lafontaine, Germany's finance minister, should prompt a robust response from the Euro-

and inflation performance, if monetarists. But this will be difficult if British business is excluded from the debate by our non-participation in Emu. If our partners conclude that "the last thing the euro-zone needs is a member whose people will blame every economic failure on the euro", how soon before they extend that argument to our membership of the European Union?

to the second second

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As the hysteria over tax harmonisation has shown, what price then the pro-European convictions of Tony Blair, the UK prime minister? A UK referendum on Emu will resolve what we have evaded for over a generation: where we belong. Is it in Europe or not? Any delay in deciding this fundamental question is folly.

14E246, B-10477 Brussels, Belgium

#### Quebec's polls Untied aid best for business

From Ms Jenny Borden. The controversy does, however, raise some critical points. In spite of Ms Short's Sir. How quickly people forget the deback of the former British government's comments, a large proportion of Britain's overseas aid aid-for-arms scandal over the is still tied to the purchase Pergan dam. Of course Clare Short is right not to confuse of British goods and serher role as minister for intervices. This needs reversing national development to improve aid effectiveness charged with tackling world still further. Separately, most of the poverty ("Anger at minister", December 7), with that debts owed by the least of the Department of Trade developed countries to

and Industry, whose job it is, Britain are owed to the along with the Foreign Export Credit Guarantee Department. It is a system of Office to promote Britain effective subsidy to some of British free-Britain's largest manufacturmarketeers should support ers, notably exporters of military equipment. We should question whether it is right her, since aid which is not tied to the purchase of the to encourage countries much aid donor's goods is considerably more effective. Ironipoorer than ourselves to run up debts in return for cally it has long been suspected that the untying of unproductive goods. aid by all donors may well

benefit Britain anyway, because our larger enterprises are well-placed inter-Christian Aid, PO Box 100, London SEL 7RL UK

From Mr Rob Richie.

Sir, You overlook one key point in your editorial on Quebec's elections ("Quebec quoi?", December 2). The Parti Quebecois (PQ) and its federal partner the Bloc Quebecois (BQ) may well continue to win grossly exaggerated shares of seats for years. More than 57 per cent of Quebecers voted against the PQ in this election and 62 per cent voted against the BQ in the 1997 federal elections in Quebec, but each time the separatists won three out of every five seats. Such distortions are possible because of one-seat, winner-takes-all elections. Until Quebec has a voting system that allows majority rule, Canada may have difficulty resolving this debate.

Rob Richie. Center for Voting and Democracy, PO Box 60037 Washington DC 20039, US

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PERSONAL VIEW GEOFFREY CHANDLER

### The wages of oppression

Companies must take an active part in defending human rights. They may not be able to solve the world's problems but they can contribute to solutions

oday's 50th anniversary of the United Nations Universal Declaration of Human Rights finds most companies operating in a world of conflict, often in dangerous environments. But traditionally, companies have seen no role for themselves in the defence of human rights or in the prevention and resolution of

This is dangerously shortsighted. In many regions, civil war, with human rights violations that are both its cause and effect, has replaced interstate conflict. Nine out of 10 victims are civilians.

As the deaths of four western telecommunications workers in Chechnya tragically illustrated this week, violence and the arbitrary application of the rule of law threaten the operations and personnel of transnational corporations. Similar dangers are faced in Nigeria. Colombia, Algeria, China, Myanmar and other countries where economic opportunity exists in a context of a dictatorship or internal

Companies may understand the cost of physical security, but too often they fail to grasp the risk to reputation through inaction or carelessness in response to the wider challenges they face. This has been vividly illustrated by the experience of Shell and British Petroleum, two of the most sophisticated companies in the world, in Nigeria and Colombia respectively.

Companies' technical

skills, sought after by govalike provide the basis for economic rights through the creation of wealth. But withhuman, social and physical operate, they may endanger other human rights and fail to respond to the legitimate expectations of today's

Human rights violations product of domestic politics society - the supermarkets companies and the nonand therefore beyond the and the retailers of clothing, profit sector now recognise legitimate sphere of influ- footwear, toys, sports goods,



nies. But with the globalisation of the world economy, the sourcing of consumer world and the increasing role and influence of multieconomic production, compacritical world in which com- tackled. munication of what they do is immediate.

Retailers, contracting their products from a thousand or more sources in the developsupply chains potential problabour, forced labour, sweatshops, starvation wages and discrimination. Direct investors face the additional probronmental impact of their operations, of their security arrangements and of accusations of complicity if they ernments of north and south are seen to profit silently within the context of oppres-

sive regimes. out appropriate policies to Levi Strauss, the Body Shop governmental organisations ship, companies will not and the Co-op Bank, have long built human rights into environment in which they their decision-making crite-leadership. And the commitria, but they are tiny on the ment to implementation and world stage. It is only in the independent auditing, in last two years that we have which Shell has advanced witnessed the beginnings of furthest, have yet to be demwider change. Those closest to the pres-

ingly engaging in the UK's ethical trading initiative. Together with the Council products in the developing on Economic Priorities' auditable social accountability standard, the principles nationals as the engines of which should underlie labour conditions in the nies can no longer stand companies' supply chains in aside with impunity in a the third world are being

espite their huge financial interest in peace and stability, internaing world, confront in their tional companies have long been reluctant to face the lems of exploitative child wider implications of their economic role. Of greater significance therefore have been the explicit acknowledgment by Shell in 1997, lems of the social and envi- and by BP and Rio Tinto this year, of a responsibility for human rights. The three companies have expressed support for the UN's declaration of human rights.

The incentives to change have been reputational dam-A few companies, such as age and pressure from nonsuch as Amnesty International, rather than corporate at risk, they will be endanonstrated in practice.

But it is a vital breakence of international compa- and cosmetics - are increas- objectives without the other London ECIR ARE that neither can fulfil their

and that mutual hostility and ignorance needs to be substituted by constructive

engagement. The Universal Declaration. subscribed to by all UN members, calls on "every individual and every organ of society" to promote respect for, and secure the recognition of human rights. thus legitimising and demanding company action. Yet apart from Nokia in Finland, which has included the declaration in its internal principles, the rest of the major players of the world -American, French, Italian and German – remain silent, as do the major shareholding institutions, still apparently oblivious of the long-term financial cost of these nonfinancial issues. Concern for human rights

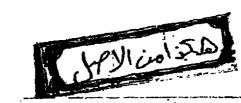
appears to require corporate disaster or attritional external pressure to bring. change, as did the slow cor porate acceptance of protection of the environment. The insulation of top management from the real world (self-confessedly the fundamental cause of Shell's Brent Spar and Nigerian traumas) and a narrow corporate philosophy, demanding exclusive commitment to shareholders rather than accountability for all stake holders, lead to a dangerously blinkered vision. Companies cannot solve

the world's problems, but they can contribute to solutions. They have a stake in peace and they have a responsibility to assist it. To have no policy on human rights, to fail to ensure that security arrangements do not contribute to their violation, to profit unprotestingly from repression, will be hugely damaging.

only be putting their profits gering their licence to operate in the tuture.

The author is chair, Amnesty International UK business group. The Amnesty Internahave been regarded as a sures of a critical consumer through, as a result of which human rights guidelines for tional UK Business Group's companies can be obtained from Amnesty International UK, 99-119 Rosebery Avenue.

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### THE EDITOR FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telesc 922186 Fax: +44 171-407 5700

Thursday December 10 1998

### Clinton goes to Gaza

President Bill Clinton's visit to Israel, Gazz and the West Bank, due to start on Saturday, merits the description of historic. This will be the first time the leader of the US - Israel's unconditional ally - sets foot on territory under Palestinian control. Whatever is said, or left unsaid, no one on either side of the Arab-Israeli conflict will fail to see Mr Clinton's presence in Gaza as a symbolic nuoge towards a Palestinian state, 50 years are ment of the state of Israel. state, 50 years after the establish-

Several members of the right-wing government of Benjamin Metanyahu certainiy 100a at 11 that way and have told Mr Clinton he is not welcome. Mr Netanyahu himself has said "if he way and he should come; if wants to come, he should come; if is he does not want to come, he should not come". This is ungra-cious, and is characteristic of the Israeli leader's zig-zags on the

It was Mr Netanyahu who invited Mr Clinton in the first place, during the nine days of negotiations at Wye Plantation in October. That was when the US president's intervention enabled the Israelis and Palestinians to agree a modest step forward after a 19-month stalemate.

Gaza - at a meeting of Palestinian legislators to confirm amendments to the PLO charter calling for Israel's destruction - would silence troublesome far-right free people"

allies opposed to even the small return of occupied land to the Palestinians agreed at Wye.

But with his government in disarray, he appears not only to have revised this view but to be reinterpreting the Wye accorditself. His aides have already said he is unlikely to agree to the second troop withdrawal specified in the agreement, due next "incitement". There have indeed been serious clashes throughout the West Bank. But they were sparked by Israel's decision to free mostly car thieves, rather than political detainees, under the prisoner release agreement at

With more than 2,000 of those urisoners now on hunger strike. Yassir Arafat's security forces have found themselves having to fire on demonstrations organised by Fatah, the Palestinian leader's

own faction. It will be a miracle if Mr Clin ton's visit, which includes (Palestinian-controlled) Bethlehem passes without incident. But it is a powerful opportunity for the US to demand that both sides honour their agreements. It is also a chance for Mr Clinton, who under the Oslo peace framework until this year seemed to accept any interpretation of the peace The Israeli leader thought then process that Mr Netanyahu that Mr Clinton's presence in sought to impose, to outline his own view of the future of the Holy Land, including what he described in January as the "right of Palestinians to live as a

### Mixing drugs

textbook case of late 20th century capitalism. Five years ago Zeneca the rest of us? was spun off from the old Imperial Chemical Industries, which

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Thu News

orthodoxy. The businesses have broadened by geography. At the ciently inventive, the work would same time, the combined value of migrate anyway. ICI and Zeneca since the demerger has outpaced the UK equity market by a factor of four. So the main beneficiaries of the aforesaid capitalism, the investing Shell or General Electric, it has institutions, can view the process with the most profound satisfac-

There is a mechanistic neatness to all this which prompts one to look for flaws. For instance, the research headquarters of Astra Zeneca will be in Sweden while large parts of the UK's competence in Industrial chemistry has been parcelled out to foreign owners. Is British science being hollowed out?

Meanwhile, Zeneca's merger with a Swedish company of around its own size means that

Regarded as the culmination of a was one of the world's industrial process, the merger of the drug giants in the earlier years of the companies Zeneca and Astra is a century. Are we sure that such a culture can die without loss to

The first of these questions is rial Chemical Industries, which easier to answer. The pharmaceu-had patiently nurtured it for seviticals industry is mainly driven eral decades. ICI then sold most by drug discovery and developof its basic chemicals to DuPont ment. In this context, there is no of the US and merged its special-such thing as British science, any Each of those mergers is panies such as Zeneca conduct strictly in line with current their research, as they sell their orthodoxy. The businesses have products on a worldwide basis. If been narrowed by product and British scientists were insuffi-

> As to the death of corporate cultures, the argument is less clear. If an old-established culture remains robust, as with unique advantages. It is piquant to recall that the world's most powerful chemical company is arguably now DuPont, which has its origins in the 18th century. But if a culture, however distinguished, decays - think of Westinghouse or Perranti - it can do great damage in its attempts to survive.

The old ICI culture was not as far gone as that. But it was, beyond question, in decline. It is to the credit of its management that it was unsentimental around its own size means that enough to act accordingly. With no part of the old ICI remains any reasonable luck, the same separately indentifiable. But this may be said in time of Zeneca.

### merica's charmed existence

Are Greenspan's fears about the US economy unjustified or premature, asks Gerard Baker

Consumerion and in

t is just not credible that the United States rosperity unaffected by a world that is experiencing greatly increased stress."

Contrary to that sombre warning by Alan Greenspan, the Federal Reserve chairman, the US conomy has in fact flourished in the global economic desert since he uttered those words back in

In those three months the US has created almost 600,000 new jobs, unemployment has fallen to a 30-year low of 4.4 per cent; consomer price inflation has dwindled further to an annual rate of just 1.5 per cent. Retail sales have picked up sharply after a singgish summer and the country's overall rate of growth has accelerated from an annual pace of 1.8 per cent in the three months to June to 3.9 per cent in the third quarter. As if to complete the mockery

of Mr Greenspan's reasoning, the Dow Jones Industrial Average has risen by 17 per cent on a chairman made his forecast. In short, just three months

after what was described by Bill Clinton, the president, Robert Rubin, the Treasury secretary and other senior Fed officials as the "most serious crisis in 50 years", the US economy's condition looks more robust than ever. Was all that gloom overdone? Is the US really set to continue its record-breaking expansion, shrugging off with ease the tur moll overseas? Or were Mr Greenspan and others right - but with a time delay? Will the current apparent oasis of prosperity eventually prove to be a mirage?

Back in September, of course, Mr Greenspan was not alone in fearing what lay ahead. Some of the more alarmist words from private-sector economists and financial market participants suggested a US recession was all but certain. Markets panicked in late summer follow-

ing the Russian debt crisis. Coming on the heels of the Asian financial collapse, the despon-dency seemed justified. A sharp slowdown in world growth, combined with an acute financial crisis, would, it was widely believed, wreck the US economy.

But as it has turned out so far, the dynamism of the mighty 1990s American expansion - now seven and a half years old - had everyone fooled. This year as a whole, in spite of all the fears, the economy is likely to have grown by more than 3.5 per cent. ity chemicals business with that more than there is a peculiarly That will be the third straight tion of Unilever. British physiology. Big drug compear of growth in excess of 3 per. The cent, well above what is tradi-from the global crisis as tionally seen as a sustainable ceived by policymakers in the rate that does not ignite inflation. Yet price pressures continue to diminish.

The outlook for US economic growth is now even more crucial than ever for the rest of the world: With scant signs of recovery in Asia, the prospect of a deep recession in much of Latin America, and steady but unspectacular growth - much of it export-driven - in Europe, the US remains the main engine of the faltering world economy. The strength of domestic demand in the US has kept much of the rest of the world from falling into a genuine depression, as US imports have risen by \$40bn to \$817bn in the first nine mouths of this year and the trade deficit has climbed by \$45bn.

next year or so? It is an old axiom of economics disappeared.



minists sometimes protest otherwise, there is, it appears, no correlation between the length of an upswing and the probability of a recession occurring any time within the next year.

Instead, expansions are generally killed off - at any age - by one of three cultrits:

 External shocks. Internal imbalances. Policy mistakes.

Just a few months ago, the viability of the US expansion was fear of the external shock. With inflation quiescent and growth steady, the domestic economy seemed in good shape. But the sudden emergence of the international crisis was a new and unpredictable factor in the equa-

The threats to the US economy late summer were twofold. First. the immediate danger posed by a dramatic tightening of monetary conditions, caused by the impact on domestic credit markets of a slump in international markets. It was principally to combat this risk that the Fed cut interest rates three times between the end of September and the middle of November.

Second, the longer-term threat that weakness elsewhere in the world would eventually undermine US exports and domestic production. Even the most pessimistic of

first risk seems to have faded. The unusual widening of as international markets remain spreads between risky and less weak. risky assets, and between liquid Will that domestically gener- and relatively illiquid instruated US growth continue in the ments that was a feature of the late summer panic, has largely

The much-feared credit crunch. where banks cut lines to their customers, never materialised. And while it is too soon to say with certainty that risks will not reappear, the Fed's prompt and

done the trick for now.

The second danger - a collapse in the traded goods sector of the economy produced by the crisis overseas - is still present. But oddly enough, while it remains a drag on growth, its menace has paled beside that of dangers within the domestic economy

itself. This is because the effect of the international crisis on the American economy has been significant but so far more than offset by a surprising acceleration of domes-

The manufacturing sector, about a sixth of the economy, is clearly in recession. Factory out-

The much-feared credit crunch, where banks cut lines to

their customers, never materialised

put has dropped in three of the last six months. Manufacturing employment bucked the overall trend of lengthening payrolls and has fallen by more than 100,000. The traded sector - mostly observers acknowledge that the manufacturing - is likely to stay depressed for most of next year

But the international effect on manufacturing has not so far had the effect of bringing overall US months, the risk of a powerful growth back down to the kind of retrenchment would be great. rate seen by most economists as

Instead, the rest of the economy has actually accelerated. leaving growth virtually unchanged

Domestic demand in the first nine months of the year grew by almost 6 per cent from a year earlier, up from a rate of below 4 per cent in 1997.

And it is this acceleration that many economists now fear poses the principal danger to the US expansion. In other words, it is not the external shock that threatens to kill off the expansion, but the second of the traditional menaces, the emergence of internal imbalances

The fear is that the combination of the strong consumer spending and big increases in investment that have kept the overall economy rolling may come to an abrupt end in 1999. In for extra investment spending the first nine months of 1998, consumer spending grew by 5.7 per cent compared with a year earlier; non-residential fixed investment rose by 13 per cent. The danger is that such a rapid pace of growth has produced disequilibria that will tip the economy

into recession. Consumers increased their spending in the last year, largely by drawing down on savings. Americans saved 2.1 per cent of their incomes in 1997; in October this year that had fallen to minus

0.2 per cent. The main reason: the stock market, of course. The wealth generated by the continuing rise in equity prices has made con-

sumers less cautious. Pew economists think the US consumer can go on dissaving for ever, even in the best of all possible worlds. If equity prices were to fall again in the next few

Another factor that could

destabilise the consumer is the labour market. Job and wage growth has been strong for most of the last year, but if it faltered. the effect on confidence could be

significant. The investment outlook is slightly different. Companies have been spending heavily. especially on computer-related equipment, to the point where it seems they may have come dan-

gerously close to overcapacity. in October the capacity utilisation rate of manufacturing industry was below 79 per cent, down from its peak of almost 85 per cent in 1994 and dangerously close to the recession levels of

Moreover, if, as widely expected, profits, under pressure from rising wages and falling prices. are squeezed next year, the scope will narrow substantially.

Of course it is still that a renewed bout of international alarm could again threaten the economic outlook in the next few months but these twin uncertainties are now the major menace facing the US. In 1998, the economy seemed to have survived the external shock that killed off other expansions. In 1999, it will have to survive the internal imbalances that have killed off many others.

That is the conundrum for US policymakers at the end of another highly successful year. Helping redress those imbalances will require fine judgment by Mr Greenspan and his colleagues. They will be especially aware that if they get it wrong, it may prove to have been neither exter-nal shocks not internal imbalances that knocked the US economy off its benign growth path, but the third of the factors that have killed off expansions in the past - policy mistakes.

### Missing link

The pride and joy were too much had not yet begun. for one South African cabinet minister. Jay Naidoo broke the 'missing link" between apes and

His over-excitement is underhominid, found through brilliant scientific detective work in the Sterkiontein caves, is probably the discovery of the decade in international palaeontology and the most important ever made in South Africa. It proves, if further proof were needed, that man did come out of Africa - the transition from ages to humans took place between 4m and 1m years ago on the east African plains and southern African bush.

Over the next year, as scientists at the University of the Witwatersrand painstakingly extract the skull and skeleton from its surrounding rock, they will learn an enormous amount about the shape and likely movements of

some fascinating conclusions. tants shared full credit for it. For a start, the skull is distinctly

Yet the structure of the crea ture's foot, with a large articurules of scientific disciosure and lated big toe, suggests that the told the world a day early about creature lived and moved in a the oldest and most complete way somewhere between human skeleton ever discovered of a and monkeys. It walked upright along the ground but could also climb and swing through trees. The first scientifically respect-

standable. The 3.5m-year-old able hominid fossil, the 2.5myear-old "Taung child", was found in South Africa in 1924 but since then the focus of palaeonto logy has moved to east Africa most notably with 3.2m-year-old Lucy, found in Ethiopia in 1974. The Sterkfontein skeleton will bring the world's attention back to South Africa as a cradle of human origin.

The discovery has enormous resonance in the context of contemporary South Africa, where Thabo Mbeki, deputy president, Mr Naidoo and their colleagues are promoting their vision of a cultural and scientific "African renaissance". The white palaeontologists in charge of the Sterk-fontein dig briefed the cabinet an early apeman (or apewoman - personally in advance of their the fossil's sex is not yet known). announcement and they made But they have already drawn sure that their two black assis-

When the time comes to name different in shape to other early the new skeleton, something hominids and it contained a African would seem more approbrain only one-third as large as priate than a traditional Euroour brains today. The great pean tag, though Mr Mbeki might explosion in brain size and power be tempted by Renaissance Man chairman of Novertis has that led to human civilisation (or Woman).

Successor on a plate

It is more than two months since European megabank UBS ditched accident-prone chairman Mathis Cabiallavetta and there is still no sign of a replacement. Switzerland is a small place and there are not too many

candidates, so why the delay?

One prime candidate is Bruno Genrig, 52, one of the triumvirate running the Swiss National Bank. He has the intellectual ability and the right connections - he spent over a decade at UBS and should know where the bodies are buried. If he's too much of an

egohead, Roche's Henri Meier 62, would fit the bill. He is a former banker, and his finance department makes far more money than most banks anyway If Meler is too old, what about

Nestle's 52-year-old finance chief Mario Corti? The Harvard MBA, ex-diplomat and ex-central banker isn't going to rise any higher at Nestlé since he is the ame age as new chief executive Peter Brabeck Could the histus just be

because the right man is in the job already? Vice-chairman and now acting chairman Alex Krauer, 67, who insists he does not want the job permanently, is a wise old bird. He ran Ciba at the time of its merger with Sandoz and as trouble- free mega-mergers of the last few years. Better still, he is not a banker. Maybe the board will give him a couple of years - he seems just the man to groom a SUCCESSOI.

Danube blues

Vienna has just the place for hosting a European Union summit. The Austria Centre, a gleaming, modern riverside complex, isn't far from the city centre and has as much space as delegates and journalists could possibly wish for.
But this weekend's shindig is

Austria's first fully fledged summit, and the government has chosen form over function. So Gerhard Schröder, Tony Blair and their chums will be hobnobbing in the Holburg, the beautiful, sprawling former Hapsburg palace which takes up a good part of Vienna's pretty but modest-sized city centre.

This is all very well for the summitteers. The venerable, omate imperial chambers, museum halls and stairways will give them plenty of places to work, argue and plot. But the security which surrounds these burnights means

irritation for many Viennese. Much of the city centre will be closed, even to pedestnans, tomorrow and Saturday. Tourists have been advised to stay away and the government will compensate shopkeepers for lost | security down. 

turnover.

**OBSERVER** 

Banks, Insurance companies, law firms and other enterprises that have offices in the city centre and don't fancy losing a day's business are wondering whether their employees will get to work tomorrow. Some downtown executives have even been heard muttering that Austria should have chosen a less cumbersome way to project its image to the world.

Barricading Bill

The New Hitton Hotel in Jerusalem is being scrubbed and swept - in more ways than one for Saturday's arrival of Bill Clinton and his entourage, And while hotel employees have been busy, Israeli security has been poring over their work rotas.

The hotel employs people from both the Palestinian and Jewish communities in the city. So there was a chance that Clinton might meet someone with a grievance against his Israeli hosts. The official line from the hotel is that all the 400 staff will be working normally. But security sources say some staff didn't

procedures and have been asked

to take some time off. And, yes,

many are Palestinian. Red light

Blushing brasshats in Kosovo have been caught with their

make it through vetting

and Co-operation in Europe is training international "verifyers" to oversee compliance with International peace efforts. But the Italian OSCE trainers didn't seem to spot a Serbian "escort agency" opening a brothel in the same hotel in the Kosovo ski

The Organisation for Security

resort of Brezovica. Word eventually got through to OSCE headquarters which ordered the Serbian managers of the Hotel Narcis to remove the women, "The Italians were very nice, the Germans rather cold, and we didn't have enough time to get to know the Americans," said one of the belies as she left

for Belarade. The verifiers can now focus on how to spot minefields and defuse tricky situations.

T for two

Yesterday's Joint UK-German statement on European tax policy may be Downing Street's way of showing that Tony Blair loves Bonn even if some of the British press doesn't. A shame, then, that the

statement handed out to journalists by Number 10 managed to mis-spell the name of the German chancellor - he was rendered as "Gerhardt" Schröder. The extra "t" in German pronunciation implies a sound more like spitting at the end of the word. Observer feels sure that this didn't reflect the tone of negotiations.

#### Financial Times 100 years ago

Canadian Railway Troubles

The rumour of a strike of Grand Trunk Railway employees has been denied officially. But, though it was unfounded, there was more excuse for it than for a good many Stock Exchange rumours. Indeed, the Canadian papers have contained mutterings of trouble coming for some time. Recently, it is stated, four collisions occurred in one week, in one of which the driver of one locomotive and ten of the passengers were killed, and others injured. The Coroner's jury censured both the Company and the dead driver. In the evidence it was stated that men in responsible positions were both overworked and underbaid.

50 years ago

Warning To South Africa Johannesburg, Dec 9. South Africans should work harder and not remain dependent on the export of gold and other basic commodities for maintaining their standards, Mr. Du Toit, Secretary for Commerce, said here to-day. Addressing the Transvaal Chamber of Industries, he said: "We seem to be indulging in lavish expenditure and living beyond our means."



### FINANCIAL TIMES

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THURSDAY DECEMBER 10 1998

#### THE LEX COLUMN

### The A to Z of drugs

Zeneca has learnt at least two lessons about drugs industry deals over the past few years. One is from Glaxo Wellcome: get it done three years before the big patent expiry. The second is from Astra: get it done while your share price is strong. So Zeneca ends up as the bigger partner despite the fact that Astra's drugs business is about two thirds bigger. And it is drugs that matter in valuing the merger. Zeneca's agrochemicals arm would account for roughly 10 per cent of the group's combined market value of

That initial value looks fairly robust, given the premium rating awarded to the sector. The deal has created a drugs business with sales of about \$13bn and operating profits of \$3! bn. Taxed and put on a blended multiple of 30 gives about \$70bn. Add in \$8bn for the synergies - using a multiple of 15 - and a similar amount for the non-drugs businesses and the \$9bn added to the market capitalisations in the last two days looks justified.

Of course, it may never happen: witness Glaxo/SmithKline and American Home Products/Monsanto. But with the manage ment structure laid out, in particular the picking of Tom McKillop as chief execu-tive, the chances of self-destruction by ego are diminished. And with no strange and expensive fudge over the headquarters - à la Rhône-Poulenc/Hoechst - locations also

seem to be sorted. Will another bidder come in? Some might have hoped for bid premiums. But that was already at least partly factored into Zeneca's £25 pre-merger share price. Astra had more scope for recovery as it got the message across about life after Losec. But it has looked desperate for a deal, undermining its position. The planned merger in any case establishes an asking price for both parties. If any others are interested - say, Glaxo Wellcome or Roche - they will be flushed out.

#### Ciba/Clariant

Marry in haste, repent at leisure. That may well be the fate of some of the herd instinct deals cemented in the current merger wave. So it is all credit to Clariant and Ciba that they have got their repentance in first. This deal was never greeted with enthusiasm and both companies' shares have fallen since it was

US current account balance

announced. Indeed the merger may have fuelled the suspicion that both were struggling to meet over-optimistic expectations worsening chemicals markets. It also looked premature because each party was still bedding down important deals and had plenty of cost cutting of its own to

As both were already big enough to fund product development and to serve global customers in their respective collections of niche husinesses, there was no "critical mass" imperative behind the pairing. Ciba now looks the more exposed as it overpaid for Allied Colloids earlier this year. Clariant has more potential benefits to reap from its 1997 acquisition of Hoechst's speciality chemicals arm.

#### **US economy**

The US current account deficit took another lurch downwards yesterday. It is now running at over \$60bn a quarter, or about 2.8 per cent of gross domestic product. In theory, the need to finance such a massive gap with foreign capital puts upward pressure on US interest rates and downward pressure on the dollar. In fact, the dollar strengthened on the news. For the past few years, the US has been in the happy position that the world has wanted to buy its assets to take advantage of the country's strong growth and open econ-

How long can this continue? The deficit will grow even larger next year, topping 3 ment if the regulatory deal is not good per cent of GDP. The economy is slowing, enough. That is probably enough to ease

ment continue. All that suggests US assets could start to look less attractive to overseas investors. In that case, the currency would have to fall to restore their appeal. But there is a caveat. The state of the trade gap is well known. Since the US first began to run a sustained deficit in 1983, the cumulative current account gap has been some \$1,700bn. Yet in real terms the trade-weighted dollar has held its ground over that period. That said, there may come a time when investors conclude that enough is enough. Moreover, with the euro looking like being a strong currency, it could be difficult for the US to continue to null off the trick of financing its rising deficit without the help of a

#### Railtrack

Bolt by name, thunderbolt by nature. The UK's stand-in rail regulator has produced a draconian plan for controlling Railtrack, the rail infrastructure com-pany. That the shares fell only 4 per cent can only be justified on the assumption that Chris Bolt's scheme will be revised.

On the face of it, Mr Bolt is proposing to throw investors off a steep cliff. His starting point for working out the asset base on which Railtrack is allowed to make profits is its £2.5bn (\$4.15bn) enterprise value (market value plus debt) at privatisation. That compares with a current enterprise value of about £8bn. True, even under his methodology, this £2.5bn would now be higher to account for inflation and some (but not all) of the investment made since privatisation. The market value should also reflect Railtrack's unregulated profit opportunities, for example in running the fast Channel tunnel rail link. But there is a way to go to

So is there much scope for a reprieve? One hope is that Mr Bolt, or his successor, will backtrack on some of the meaner aspects of the ruling. Another is that John Prescott, the train-loving deputy prime minister, will intervene on Railtrack's behalf. He supports the notion that the company should have an incentive to step up investment. Railtrack is dropping veiled threats that it could curb invest while political rumblings over impeacht he controls a touch, but not massively.

### Iraq bars UN inspectors from party headquarters

Washington tells Baghdad it will have to face the consequences

#### By Routa Khalaf in London

Iraq yesterday blocked United Nations arms inspectors from entering a sensitive site for the first time since co-operation with inspectors.

resumed last month. Raghdad said the inspection of the ruling Baath party building was 'provocative" and simed at manuacturing a crists.

But Richard Butler, UN chief weapons inspector, said Iraq's move was "very serious" and that the country's claim that the inspection was illegitimate was simply unacceptable and against the resolutions of the UN Security Council.

UN weapons inspectors have been carrying out challenge visits of Iraqi sites in the past week to determine whether Baghdad would stick to its pledge to fully co-operate with

Iraq averted a US military strike in November after rescinding a ban on inspections but the US has said it remained ready to strike if Unscom.

tary general, on Iraqi compliance

Baphdad wants the report to pave hold a general review of its disarmament, which it hopes would lead to a unit of the party.

Iffing of the oil embargo that was The news agence imposed after it invaded Kuwait in

In Washington David Leavy, White House spokesman, said yesterday the US expected full co-operation. "If Unscom cannot do its job effectively, we remain poised to act."

Gustavo Zlauvinen, Mr Butler's senior political adviser, said Unscom's report would be an overall assessment of compliance but Iraq's blocking of an inspection would be a negative point.

Another hurdle faced by inspecply some documents.

Baghdad said 10 out of 12 sets of

refused full access. Mr Butler is to discussed with the Unscom arms report to Kofi Annan, the UN secre- inspectors. Iraq's official news agency described how the site inspectors tried to enter a headquarters of the ruling Baath party yesterthe way for the security council to day, but a diplomat said he suspected it might have been a military

The news agency said inspector were asked to show a list of items they wanted to see but they refused

and withdrew.

The party building had not previously been inspected by Unscom; although inspectors have in the past been given access to other Baath

Mr Butler said Iraq's request for a list of items was "completely illegitimate, absolutely wrong, and of course we did not do it".

According to Mr Zlauvinen Unscom has an agreement with Iraq tors since the test of co-operation on protocols to be followed in inspec-began has been Iraq's refusal to suptions of sensitive sites - such as a limit on the number of inspectors who can enter - but has no obligarecords demanded by Unscom had tion to provide a list of what it been destroyed or had already been might be looking for in its search.

### Wal-Mart to double European sales with \$659m German deal

By Richard Tomkins in New York and Graham Bowley in Frankfurt

Wal-Mart Stores, the biggest US retailer, has agreed to buy 74 Interspar hypermarkets from Germany's Spar Handels store group in a deal that will double its size in Europe. The deal, estimated at DM1.1bn

entered Europe by buying Germany's Wertkauf retailing group, comprising 21 hypermarkets.

Bob Martin, head of Wal-Mart's international division, said the latest acquisition would double European

(\$659m), comes a year after Wal-Mart

sales to about DM5bn a year, based on this year's sales projections for the Wertkauf and Interspar stores. He said Wal-Mart's name would appear on its German chains within the next year, introducing the Wal-Mart concept to European shoppers. They are going to look like Wal-

Mart Germany – that is, an adapta-

tion of the best of Wal-Mart done in

a way that is pleasing and responsive to what German customers tell

regarded as one of the most aggressive and successful companies in the US. It opened its first store in 1962 and reached sales of \$118bn last

It started expanding outside the US seven years ago, and is already the biggest retailer in Mexico and Canada. It also operates in Argentina, Brazil, China and Korea.

Wal-Mart's arrival in Germany has begun to shake up the retail industry. Metro, Germany's biggest store group, has moved to strengthen its hypermarket business with the acquisition of the Allkauf and Kriegbaum networks.

This consolidation is forcing other retailers such as Spar out of the market. "Since Wal-Mart's entry, the market for hyperstores has changed

dramatically," Spar said. Wal-Mart's second push into the German market is likely to increase pressure on the country's domestic in profits will be due to restructurretailers which are already struggling from depressed and saturated

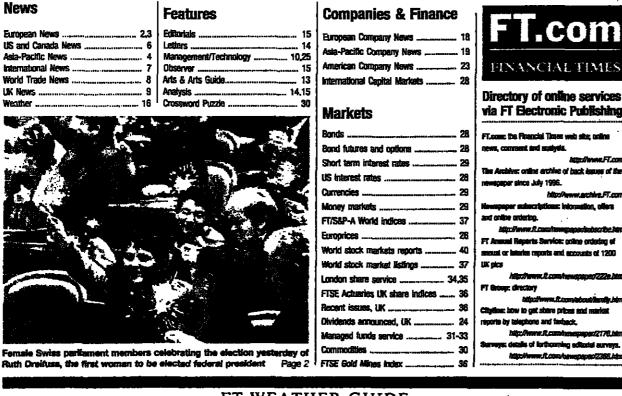
us they want," he said. Wal-Mart is market conditions. With little growth in consumer demand over the past three years, Germany's retailers have been consolidating and pushing into other Europears

It is understood Spar will receive DMI\_lbn from Wal-Mart, which includes goodwill, fixed assets and inventories. The move means Spar will aban-

don the top-end of non-food, general merchandise hypermarkets to con-centrate on smaller stores focusing on food retailing.

Spar, one of Germany's top five food retailers, is part-owned by Intermarché, the French group. Spar last month put off a planned capital increase after turbulence in world markets. It had sales last year of DM14.1bn, up on the previous year, but profits were sharply lower than in 1996. It expects a similar trend this year, although most of the fall ing. It expects profits to rebound in

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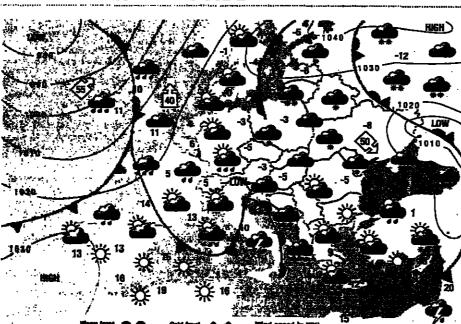


#### FT WEATHER GUIDE

#### Europe today snow. A developing low pressure heavy and thundery showers o longer spells of rain. The rest of

will be mostly dry with wintry sunshine but a frontal system will sweep into western France bring ing rain. Norway and Sweden will

Five-day forecast Western Europe will become mi but increasingly unsettled with bands of rain will last until early gradually push into eastern Europ from Sunday, but until then it wil remain cold with snow in many



03000

Recommended Offer by Arthur Andersen Corporate Finance

Masco Corporation

has acquired Heritage Bathrooms PLC

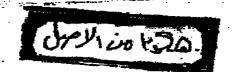
£40.5 million

Arthur Andersen Corporate Finance originated, structured and executed the transaction

For further information on how Arthur Andersen Corporate Finance can originate and execute complex cross-border transactions contact:

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Lead Advisory Services Jonathan Hinton 0171 438 2318



THURSDAY DECEMBER 10 1998

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#### Lycos moves into retailing

Lycos, the US internet search company, is going into business as a retailer in a continuing effort to distinguish itself from rivals such as Yahool and Excite. It is setting up its own internet department store while retaining links with outside retailers. Page 23

Irish prepare for euro 'price rise' Of the 11 countries



adopting the single currency from January I, Ireland is the only one where prices will appear to go up as a result of conversion to the euro. The purely nominal rises may affect the perceptions

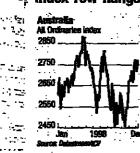
of consumers, allimportant in the single currency's early stages. Business and the euro, Page 27

Price cut for coking coal agreed The first of the 1999 big coal contracts was settled in Tokyo yesterday with a cut of \$9 a tonne agreed between the big Japanese steel mills and some overseas suppliers. The cut is likely to spread to all prices struck in Asia and will affect settlements in Europe mills. Page 30

Second-tier Europe takes the stage With markets approaching Saharan liquidity levels, and trading in the big currencies stalled ahead of the Bank of England's decision on interest rates today, European tringe currencies enjoyed a brief turn in the limalight, with interest rate cuts in Poland and Greeca. Page 29

rate cuts in Polanu and Uganda fishes for atternatives upanda has become an intermediate. Intermediate, Intermedia Lake Victoria in Uganda has become an open sewer and fish stocks are dwindling. International bodies are funding an ambitious \$60m project to help the lake's fishermen diversity into palm oil production. Page 30

index row hangs over Sydney boom



No. 24

Alenia

THE REPORT

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America Online

The Australian stock exchange's record yea has been overshadowed by a feud with large investors over a move to change the composition of its benchmark allordinaries index - in particular, new liquidity rules that excluded. dozens of companies

from the index, and a plan to charge investors who use the index substantial annual fees. Page 40

Japanese companies face bond blow Japan's alling companies will face another painful blow in the coming months as up to Y2,400bn (\$20.2bn) worth of corporate bonds mature, analysts have warned. Page 28.

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J.C. Penney

J.P. Morgan

Kinglisher ...

Astra of Sweden and Zeneca of the UK confirmed yesterday they plan to join forces in a \$35bn deal, forging Europe's most valuable merger and creating one of the world's biggest drugs companies.

AstraZeneca, with a combined market capitalisation of about \$78bn at yesterday's close, would have had pro forma pharmaceutical sales of \$11.5bm last year. The new group would realise annual cost savings of \$1.1bm within three years. Six thousand jobs would go, mainly in adminis-

It would have its corporate headquarters in London and its main research and develop-

Universal

in \$65m

flops at

By Alice Revesthorn

loss after

box office

### Astra, Zeneca confirm \$35bn deal

6,000 jobs to go as group plans \$1.1bn annual savings

McKillop, head of pharmaceuticals at Zeneca, was named as as chairman, with Sir David Barnes from Zeneca and Hakan Mogren from Astra as

rger, Zeneca's shareholders will have 53.5 per cent of the new company and those of marger fast, resp the benefits
Astra 46.5 per cent. The deal fast and build the AstraZeneca
was described by both parties brand name fast," he said. as a "merger of equals"

holders will receive 0.5045 the critical mass to compete at shares in the AstraZeneca for the top in the global industry.

ment centre in Sweden. Tom valuing Astra at about \$35hn. combined company "a pariner There was speculation yes- of choice" for any competitor terday that a counter-bidder chief executive. Percy Barne might emerge for either comvik, the Swedish industrialist, pany. But Mr Barnevik said: "I am convinced that of all the alternatives [for Astra and Zenecal\_these are the abso-

.On completion of the He said the priority was gration. "We must execute the merger fast, reap the benefits brand name fast," he said.

Mr McKillop said the deal

Under the deal, Astra share would give Zeneca and Astra each of their A or B shares. He said it would make the

wanting to establish a strong presence in Europe.

Astra's biggest drug is the biggest-selling prescription drug. Until a June agree to discontinue Astra's partnership with Merck, US rights to Losec were jointly owned by

the American company.

The June divorce cleared what Sir David described "as the immovable object", opening the way for merger negoti-ations in September. The deal will trigger an immediate payment to Merck of \$1.7bn.
The merger was hailed as a

"dream deal" by investor, Astra's single largest shareholder and the main invest ment vehicle of Sweden's Wal-lenberg business empire. Mr Barnevik chairs investor, which relies on Astra for 27 per cent of its share portfoanti-ulcer Losec, the world's lio, its stake in the new group will be cut from 10 to 4.7 per

> In Stockholm, Astra's most commonly traded A shares yesterday ended 12.9 per cent up at SKr170.50. Zeneca's shares closed up 191p at £27.11 Reporting by David Pilling in London, and Tim Burt and Greg Mcloor in Stockholm

#### APPETITE FOR RISK WANES AS EFFECTS OF US INTEREST RATE CUTS WEAR OFF

### Bond yields dip as market anxiety returns

By Edward Luce and

an operating loss of \$65m this quarter following a series of box office flops, its parent company Seagram, the Canadian entertainment and drinks group, warned yesterday. This compares with a profit of \$98m for the same period last year.

Universal Pictures will record

The announcement on the eve of today's completion of Seagram's \$11bn bid for Poly-Gram, the Dutch music and film group, is embarrassing for the Canadian group and Edgar Bronfman Jr., its president and architect of its expansion into the entertainment indus-

Seagram will today unveil plans to merge PolyGram with its Universal Music subsidiary, which will then become the world's biggest music company with 24 per cent of a \$38bn global market.

These include a rail of s John and Bob Marley. The merger will result in the loss of some 3,000 jobs from the two

has contributed to investors' scepticism about the prospects for the PolyGram deal since Mr Bronfman announced it in

May. Seagram, in flux after a series of acquisitions and disfor the full year.

Seagram shares, worth \$44.50 on the day the Polygram bid was announced, fell by 75 cents to \$86 in New York yesterday after the Universal Pictures' warnings. Universal has not had a hit

film all year, but Seagram hoped that its expensively produced and promoted pre-Christmas releases would prove successful - notably Meeting Joe Black, starring Brad Pitt, Babe: Pig In The City, the Babe sequel, and Gus Van Sant's remake of Psycho. However, all three films have performed well below expecta-

Last month, Frank Blondi, chairman of the Universal Studies entertainment division, left the company with a \$25m-plus pay-off, followed by Casey Silver, head of Universal Pic-

Ron Mayer, president of Universal Pictures, was then put in charge of the film division. He now reports directly to Mr

Mr Morris will today confirm details of the reorganisation of Universal's US record labels. into four groups and announce his senior management team. Most of the top Universal Music jobs outside North America will go to PolyGram executives, such as Norman Cheng and Manolo Diaz, as heads of Asia and Latin Amer-

23

and Wolfgang Gramans.

In service 34,35

Germany.

Seagram is not expected to follow suit. They face governor that didn't submit an official service 32

Seagram is not expected to follow suit. They face governor cial request. We are considerable start shedding staff until the ment takeover if they cannot cial request. We are considerable start shedding staff until the base not vertest. Keep pace with growing proving what to do," said Sanwa

Arkady Ostrovsky is London Market worries about the

are returning, with yields on the leading government bonds falling to their lowest levels since the height of the turmoil in mid-October. Yesterday, the yield on the 30-year US Treasury bond

dipped below five per cent for the first time since early October. Yields on the 10-year German government bond and on the 10-year UK government gilt have fallen by a similar. Brazilian congress last week of margin. Meanwhile, the average spread on corporate bonds has widened markedly in the last few days.

health of the global economy

rate moves a lave widened to n in October stars including U2, Beck, Elion prior to the three consecutive points, having dipped below John and Bob Marley. The cuts in interest rates by the US. 1,000 basis points last month. Federal Reserve. The swap. Third, the expected growth spread is seen as a key mea. rate in Europe's 11 euro-zone companies 15,500 strong work sure of the market's appetite economies for 1999 continues

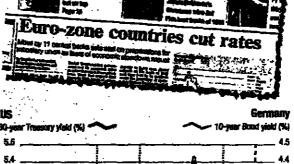
nomic situation, which remains worrying," said Giles Keating, chief economist at Credit Suisse First Boston. "What we clearly need is more interest rate cuts.

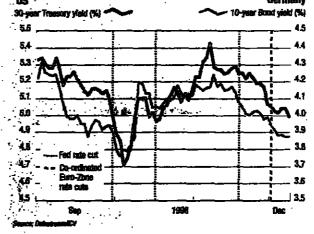
Concern is focused on a number of fronts. First, there are few signs the recent policies unveiled by the Japan government will solve the country's banking and economic problems. Gloom about Janan has damned hones that Asia's economies would turn the corner in 1999. Second, the rejection by the

a key element in the government's fiscal reform package to reduce pension payments has unnerved emerging marin addition swap spreads - ket investors. Partly as a the rate is which fixed rate result, the average spread on money is swapped for floating. If Morgan's benchmark ket investors. Partly as a emerging market index has widened to over 1,100 basis force. to be downgraded with the Before the PolyGram deal. Becongulate say there is gen-consensus falling from just

under Seagram's ownership kets seemed to have lost sight valuations in the US. "No one of the underlying macroeco- really believed in the US stock







market rally over the last few Seagram's entertainment the reduction in US interest in September to about 22 per line concern that the reduction in US interest in September to about 22 per line concern that the reduction in US interest in September to about 22 per line continues activities.

However, Universal Pictures their emphoric reaction to the Last, many in the markets ness to worries about the transpoor box office performance US interest rate cuts, the markets are concerned about equity sition to a single European However, analysts attribute are exaggerating what is a some of the market's nervous-very justifiable concern about currency in January. In addi-

offloading some market positions before the year-end. Emu and the year-end effect the direction of the global economy," said Mr Keating.

tion, banks and investors are

### JP Morgan profits warning

By Tracy Corrigan in New York

JP Morgan, the US bank, yesterday warned that its fourth-quarter operating earnings would be lower than in the third quarter, despite an improvement in market conditions in the last two months. Morgan also said it would record a charge of around \$100m before taxes due to a previously reported cost-reduction programme, when it cut

Morgan shares slid \$2,1 to \$104% in morning trading and other financial stocks weakened on fears of weak fourthquarter performance. Analysts had expected a bounce-back in fourth-quarter earnings among investment banking busiesses, which suffered trading difficulties and slower business flows due to the market disruption in September and

Morgan softened the blow by announcing a \$750m share buyback amounting to around per cent of its stock, and

creased its dividend. JP Morgan's operating earnings in the third quarter totalled \$122m. After the charge of \$100m, this means that fourth-quarter net earn-

ings will not exceed \$22m. The bank attributed the poor fourth quarter to weak results in proprietary activities, partially offset by a recent pickup in client activity. It is believed to have had poor returns in private equity investments, which are part of its proprietary group, and which made \$157m in the previous quarter. Furthermore, the firm lost money on hedges it had taken against continuing disruption

in the financial markets. However, some analysts critcised Morgan for repeated non-recurring charges. "On an operating basis, earnings will continue to be weak," predicted Chris Semrod, vice president of equity sales at Keefe, Bruyette & Woods, the US bro-

kerage. Morgan has won some high profile business this quarter. It recorded a strong run in the recent wave of pil industry mergers, advising BP on its acquisition of Amoco, Exxon on its acquisition of Mobil and Petrofina on its Total

However, the warning is a disappointment for the bank following its long-running effort to build its investment banking business and keep

This announcement

Regulated by IMEO

### Siam Commercial posals, expects Universal Pictures to post a "modest loss" chief set to go in state bail-out

By Ted Bardacks in Bangkok

The president of Siam Commercial Bank, Thalland's who gave early warnings that fourth largest, is expected to Thalland's export slowdown be removed from office as the could lead to serious problems, bank becomes the first to apply for state funds to rescue it from its bad-loans burden, bankers and government officials said yesterday.

Olarn Chaiprawat, is likely to be told to step aside when the application for government funds is formalised in the com-The Bt200bn (\$5.6bn) state

programme, designed to shore up the banks' capital bases and prevent the banking system from collapsing under the weight of bad loans, gives the government the right to pursue management changes at any subsidised bank. Bad loans are rising and analysts on provisioning levels at Sep-expect them to peak at more tember whereas non-perform-Brontman, as does Dong Mor-loans are rising and analysts ris, chairman of Universal expect them to peak at more

Thai Military Bank, the country's sixth largest, is expected to apply for govern-ment funds in the first quarter of next year and to undergo a the small Nakornthon Bank and 25 per cent stake for the offering itself to foreign investors, that would leave three non-government-owned banks. However, analysts are owns 13 per cent of Siam Com-divided about whether Bang- mercial, said it had not yet ica respectively, John Konnedy divided about whether Bang mercial, said it had not yet in the UK, Kei lahizaka in kok Bank, Thai Farmers and promised to inject new capital,

Japan, Pascal Negre in France Bank of Ayudhya, the coun- as claimed by Mr Olarn. new year, and now needs and usually slowing needs and usually slowing

or sold to foreign investors. Mr. Olarn, a top economist is blamed by many investors for the bank's aggressive lending practices, which continued into the crisis. People close to

would be told to step aside. "I won't resign. If authorities want me to resign, I'm ready," said Mr Olarn. "The management must be in line with the decision of shareholders, When shareholders change, directors Officials said a recapitalisa

tion figure supplied by Mr Olarn on Tuesday of Bt22bn – with Bt11bn from the government - was "premature", par-ticularly because it was based ing loans continued to grow. Siam Commercial was still

sounding out the central bank as to what price and in what manner it would buy the new shares. The idea of an eventual management overhaul. With 40 per cent government stake Crown Property Bureau was "personal opinion", it added. Sanwa Bank of Japan, which

and Wolfgang Gramatke in try's second, third and fifth "Mr Clarn visited Japan last

appears as a matter of record only £75 million acquisition of Martin Retail TM Group Holdings PLC Holding company of Forbuoys. Vendepac and Electra Fleming co-led the management buy-out of TM Group in 1995 and has now made a further investment in the company by providing finance for its acquisition of Martin Retail.

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half this year

### Sasol shakes off apartheid-era fuel deals UBS reduces

key part of the apartheld-era ing industries. marketing system for liquid

(\$2.3bn) capital expansion ened economic sanctions -By terminating, at the end of tion in the past, but the 2003, deals obliging compa- agreements also limit how of arm-wrestling," said one

have a Sasol pump on their Sasol, the South African petrol station forecourts, petrochemical and synthetic Sasol has taken the initiafuel producer, gave notice to tive in a shake-up of the rival oil companies yester- highly regulated South Afri- of Sasol for long-term day that it was abandoning a can oil refining and market-

It also announced a R14bn ducer in the face of threatbenefited from the protec-

growth". The company, he said, did not want to build Sasol - established as a hundreds of its own petrol strategic fuel-from-coal pro- stations but would now be free to negotiate new deals with one or more of the

jects, with a further R2bn of proposals at an advanced "They are starting a round stage, as part of a five-year,

oil industry executive. Sasol R14bn expansion programme The company has cut its shares, hit by low oil prices to be financed from the comcosts sharply in recent nies such as Shell, BP and much fuel it can sell in a oil industry executive. Sasol R14bn expansion programme Total to buy Sasol's fuel and growing market. shares, hit by low oil prices to be financed from the com-Pleter Cox, Sasol manage and nervousness about pany's own cash flow. An years, but it still costs more ing director, said yesterday's emerging markets, have important plank of its stratannouncement was about fallen by more than half egy is to increase its output fuel from coal at its Secunda. "the strategic repositioning since April. But investors of internationally competiplant. Mr Cox said the goalwere cheered by yesterday's tive solvents from 450,000 of \$10 was in sight by the announcement, pushing the tonnes a year to 720,000. shares up 4 per cent to R24 The synthetic fuels pro-on the Johannesburg Stock duced by Sasol are still The synthetic fuels pro-

heavily subsidised by the Sasol also announced state It receives the equiva-R1.5bn of new chemical pro- lent of \$17 a barrel of oil, nery, co-owned with Total, year. But this protection is due to disappear in 2000.

than \$11 a barrel to make and of the decade.

One reason for ending the old supply agreements is that it wants to increase out put at its conventional refifalling to \$16 in July next by 30 per cent, and to boost synthetic fuel production at Secunda by 15 per cent.

INTERVIEW SVEN-CHRISTER NILSSON, CHIEF EXECUTIVE OF THE SWEDISH GROUP, GIVES FURTHER DETAILS OF ITS STRUCTURAL REVAMP

Exchange.

### Ericsson outlines product convergence plan

Ericsson, the Swedish telecommunications group and the world's third largest manufacturer of mobile phones, is stepping up plans to integrate its product portservices as part of a wideranging reorganisation.

unveiled a new customeroriented divisional structure in October, is now working on "broad convergence" in the systems and technology used in its mobile, fixed-line and data communications

Sven-Christer Nilsson.

said the move was a vital tors, embracing fixed and example, the global sublead to valuable cost synergies. "We have to capitalise on the synergies and savings we can achieve by using our resources in a better way."

He highlighted project management, research and development and back office The company, which administration among the inveiled a new customer- areas that promised savings. But he declined to specify the likely job losses or provisions involved in the

The plan follows the decision this autumn to switch Ericsson's divisional struc-Ericsson chief executive, segments: network opera-

development in the group's mobile telecom infrastruc-scriber base is expected to strategy and that it would ture; consumer products, increase from 200m to 800m ture; consumer products, mostly mobile phones: and enterprise solutions, focused on business customers. The chief executive is

expected to elaborate on the 2,600bn minutes in the next plans at a meeting with five years. institutional investors in Stockholm today. He emphasised, however, that the product conver-

gence initiative was not launched as a cost-cutting exercise. Rather, it was a response to rapidly growing international demand for handsets and systems canable of offering complemen-

ting costs, but changing the way we address our markets. We are a growth company and need to move fast to keep up with demand," Mr

> divisional reorganisation in cent, closing up SKr3.50 at to previous levels,"

minutes a year at present to

"This is not just about cut-

by profit warnings among by 2003. Ericsson also estimates that "talk time" will of France and Northern Telerise dramatically from 300bn. com of Canada. It reached a low of

SKr118.50, exacerbated by fears of continued turmoil in

Mr Nilsson said he saw no evidence of an upturn in Asia, where Ericsson's sales - excluding China fell 29 per cent in the first Since Ericsson unveiled its year.

"We still have a long way October, its share price has to go before purchasing risen by more than 20 per power in that region returns



UBS, Europe's biggest bank, its international loan book since the start of the year. The move is the latest sign of banks' rapid withdrawal from what used to be their traditional business, commercial lending.

Marcel Ospel, the Swiss

and Clay Harris in London

bank's chief executive, indicated that international commercial loans had been reduced from SFr300bn in the first quarter of 1998 to SFr165bn (\$121bn). The lion's share of the

loan book was inherited from the old Union Bank of Switzerland, which merged with Mr Ospel's Swiss Bank Corporation to create UBS. Mr Ospel, in an interview with Finanz und Wirtschaft, a Swiss financial newspaper. said he expected UBS's out-standing international credit lines to continue to fall rap-

vere not replaced. "The proper volume to support our business should be about SFr50bn to SFr100bn", Mr Ospel said. Mr Ospel is known to believe margins on international lending are too low to justify the risk and priority should be given to lending which strengthens relationships with investment banking clients. UBS is also planning to withdraw from global trade finance, another

the Economist Intelligence Unit publication Strategic Finance, Mr Ospel said UBS has nearly halved the size of felt "naked" when four senior executives, including Mathis Cabiallavetta, the chairman, left because of the bank's SF1984m loss relating to the US hedge fund Long-Term Capital Management.

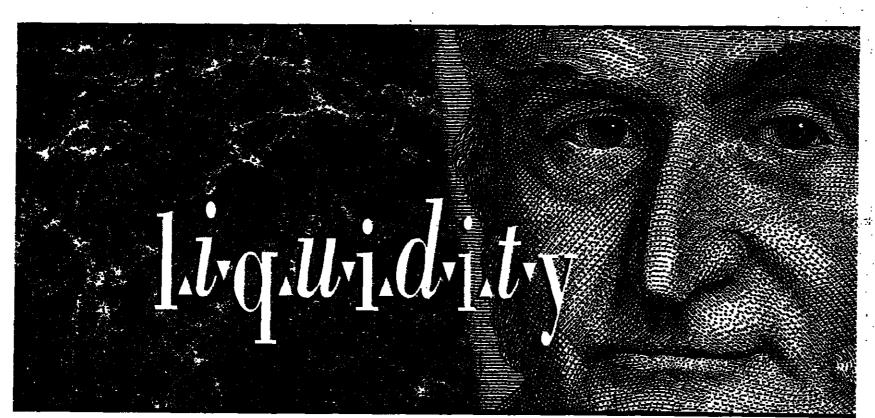
"We had to make sure we didn't get into a negative perception of management capability," Mr Ospel said. next layer might have gone."
UBS revealed its total losses. not just those from LTCM. on September 24. "Unfortunately, there was one week between bad news on financials and the personal consequences," Mr Ospel said. That was El Dorado for the

press, of course." Strategic Finance also said Andrew Siciliano, head of rates at investment banking arm Warburg Dillon Read. had agreed to resign because idly as loans fell due and he failed to alert higher authority that the UBS risk committee "had no idea what he was talking about" when he spelt out the potential impact of the LTCM

> Mr Siciliano, the only for mer SBC executive to lose his job because of LTCM, had inherited the hedge fund position from old UBS and only gradually was able to piece together the full extent of the bank's involvement.

Observer, Page 15

You want



### for your DM Pfandbriefe.

It's easy to see why there is growing interest in German Pfandbriefe, Germany's largest bond market with some DM 1.8 trillion outstanding. First, there is safety. Thanks to the stringent legal framework of the Mortgage Bank Act, Pfandbriefe have an unsurpassed record for safety. Second, Pfandbriefe usually offer a yield pick-up over Bunds. As for liquidity, the emergence of the Jumbo Pfandbrief market - with total issuance exceeding more than DM 380 billion since mid-1995 - has spearheaded the liquidity and transparency of the Pfandbrief market as a whole, offering numerous opportunities for spread trading. For Jumbo issues (DM 1 billion or more), at least three market-makers pledge to quote tight spreads on amounts up to DM 25 million. For traditional Pfandbriefe, issuers actively maintain a secondary market. Trading and transparency are enhanced by the PEX Index for traditionals and the JEX Index for Jumbos. The Jumbo Pfandbrief future offers market participants efficient hedging possibilities. For further information about German Pfandbriefe, please contact the Association of German Mortgage Banks (VDH) in Bonn, Germany, Fax (+49-228) 9 59 02 44.

The German Pfandbrief Solid from the ground up

E-mail: vdh@hypverband.de

#### **GERMANY'S** MORTGAGE BANKS

HYPOVEREINSBANK AG, MÜNCHEN DEUTSCHE HYP, FRANKFURT AND HAMBURG DEPFA, WIESBADEN

EUROHYPO AKTIENGESELLSCHAFT, FRANKFURT

AND LÜBECK RHEINHYP, FRANKFURT

HYPOTHEKENBANK IN ESSEN AG, ESSEN

DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKEN-BANK AG, HAMBURG

BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG. BERLIN AND HANNOVER

ALLGEMEINE HYPOTHEKENBANK AG, FRANKFURT

WESTHYP, DORTMUND BAYERISCHE HANDELSBANK AG, MÜNCHEN

WÜRTTEMBERGER HYPO, STUTTGART RHEINBODEN HYPOTHEKENBANK AG, KÖLN

DEUTSCHE HYPOTHEKENBANK (ACT.-GES.),

SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN MÖNCHENER HYPOTHEKENBANK EG, MÜNCHEN

nürnberger hypothekenbank, nürnberg

DEXIA HYPOTHEKENBANK BERLIN AG, BERLIN

BFG HYPOTHEKENBANK AG, FRANKFURT SCHLESWIG-HOLSTEINISCHE LANDSCHAFT

HYPOTHEKENBANK AG, KIEL

WL-BANK, MÜNSTER

WÜSTENROT HYPOTHEKENBANK AKTIENGESELLSCHAFT, LUDWIGSBURG

HAMBURG

DÜSSELDORFER HYPOTHEKENBANK AG.

**NEWS DIGEST** 

DEFENCE

traditional activity

#### Path eased for sell-off of Aérospatiale

Four of France's leading defence companies have forged an agreement setting out their respective responsibilities in the areas of avionics, missile systems and satellites, in a move that should smooth the way to the privatisation of Aerospatiale, the aircraft maker, next year.

As expected, Aérospatiale is relinquishing its interest in the Sextant avionics company, with Thomson-CSF assuming 100 per cent ownership. In missiles, Aérospatiale and Thomson-CSF have confirmed their commitment to the ment in the future family of FSAF medium range surface-to-air missiles. The pair are partners with Alenia of Italy in the Eurosam consortium. In satellites, Alcatel Alcatel Space and Thomson-CSF will not require the future Aérospatiale-Matra Hautes Technologies company to comply with previous undertailings not to compete in the satellité business. David Owen, Paris

BANKING

#### Paribas, Bank Austria link

Paribas, the French bank, and Bank Austria are to link their clearing and settlement activities, creating what they claim will be Europe's largest global custody service, managing roughly \$700bn of securities. The banks said yesterday they had signed a "partnership and co-operation agreement" which would allow them to offer institutional investors a wide range of services in securities clearing, settlement and custody, covering 16 European countrie Paribas said the alliance was prompted by increasing calls from banks and other financial intermediaries for a

more "Europeanised" offer in custodial services. As part of the alliance, a common system is to be set up, mainly through Bank Austria adopting Paribas' technology, and sales and back-office procedures. The process should be completed by 2001. In return, Paribas is to gain access to the European emerging markets, where the Austrian bank is better established. Samer Iskandar, Paris

SPANISH EQUITIES

#### Funespaña, Enaco IPOs priced

Issue prices were fixed yesterday for Funespaña, the leading domestic undertaker and for Enaco, a chain of supermarkets and wholesale stores which will both start trading on Friday. The first initial public offerings on Madrid's Bolsa for two months suggest a renewed institutional appetite for Spanish equities. The two companies were among several that were preparing to tap the markets in September and were forced to put their offers on hold by the Bolsa's volatility.

Schroders, the UK bank which co-led the Funespaña offer with the Madrid's AB Assocres, said it had built up a "good quality book" for the 30 to 35 per cent of equity. worth some Pta7.5bn (\$52.8bn).

The Enaco transaction, co-ordinated by ABN Amro Rothschild, involved the placement of 30-35 per cent of equity among institutions in a transaction worth some Pta10bn. The two issue prices, Pta2,175 in the case of Funespaña and Pta1,500 in the case of Enaco, were fixed below their maximum range. Tom Burns, Madrid

OIL SERVICES

#### Aker Maritime re-focuses

Aker Maritime, a Norwegian oil service unit of holding company Aker RGI, yesterday said it was re-organising its biggest business by sales to prepare for lean times ahead in the oil industry. The company is considering merging its five Norwegian engineering and construction companies under one business unit known as EPC Norway, into a separate company under Aker Maritime. The move would allow it to realise considerable synergy cost savings and help lift its operating margin from 2.4 per cent to 5 per cent within the next years, said Jarle Tautra, senior vice president of EPC Norway.

The merger evaluation comes amid record low oil prices and postponements on most offshore projects in Norway. Valeria Skold, Oslo

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JAPAN ANNOUNCEMENT FOLLOWS CONCERNS OVER LARGE BAD-LOAN PROBLEM AT NIPPON CREDIT BANK

### Chuo rejects immediate merger with NCB

Chuo Trust, one of Japan's large banks, has decided against entering an immediate merger with the ailing Nippon Credit Bank because of its concerns about NCB's huge bad-loan problem.

Chuo Trust said yesterday it would limit its ties with NCB to loose collaboration in areas such as investment trusts and debt collection. "At present there are no merger options with NCB,"

**National** 

Mutual

steps up

Shozo Endo, Chuo Trust through mergers and nation—bad loans, forcing the gov-huge level of bad loans, president, said. The key to alisations.

This antenna the government to nationalise LTCB NCB indicated last to a further business tie-up. This antenna the government to nationalise LTCB indicated last to rehinges on the improvement in NCB's asset quality and business efficiency."
The announcement repre-

sents a blow for NCB, which like NCB, specialises in has been scrambling to find long-term lending to Japa-a merger partner in recent nese companies, which it a merger partner in recent nese companies, which it months. The decision is finances by issuing debenlikely to fael unease about tures. NCB's future, not least

ment attempted to persuade Sumitomo Trust to conduct a rescue merger of the Long Term Credit Bank, which,

international partner

with Young & Rubicam.

brings clients such as McDonalds, Coca Cola, and

Nintendo, presented a good

While we do have our own agencies outside Japan,

we cannot serve because of a

base that includes Sony, Citi-

lems or financial difficulties.

it expected to report

Shigeoki Togo, NCB presi-Y3,200hn (\$26.76bn) of bad folio, its position has dent, yesterday denied that and potentially problematic attracted the attention of the NCB faced any funding prob- loans next March, or 38 per cent of its loan portfolio. The However, the bank's bank says that 77 per cent of traditional franchise of these loans will be covered long-term lending to through loan-loss provisions companies has been and collateral, since the

However, this will push property sector, it holds a the bank into a Y620hn par-

NCB indicated last mouth bank also holds large unreal-

with NCB, not least because the bank is likely to receive failed Hokkaido Takushoku.

#### ised losses on its equity port-Some government officials had hoped that Chuo Trust could be persuaded to merge

with plans to reduce debt by selling assets in Japan.

The company plans to eliminate 500 white-collar jobs, or 5 per cent of its US workforce, by 2000 in an attempt to bring the ailing US operations into the black next year. The job cuts will be achieved through natural attrition. Nissan said it was also considering merging Nissan North America, its US headquarters, with Nissan Motor Corporation, its sales subsidiary there. However, Nissan Motor Acceptance Company, the troubled financial unit, would remain independent.

restructure in US

VEHICLES

The group, which is expecting its sixth year of losses in the last seven, has been hit by a collapse in demand in Japan and sluggish sales in the US, Losses in the US man ket, mainly from the proup's incentive and lease-back programmes, were Y80bn (\$670m) last year.

**NEWS DIGEST** 

Nissan boosts plans to

Nissan, the Japanese car and truck group, is redoubling efforts to restructure its lossmaking US operations by cut-

ting staff, consolidating operations, and pushing ahead

In response, Nissan has launched an aggressive restructuring, including selling unprofitable assets and lamiting new hires, in an attempt to improve cash flow and reduce its heavy debt burden.

Yesterday, Nissan said it expected to eliminate Y100bn worth of interest-bearing debt on its consolidated balance sheet by selling 90 per cent of its shares in Nissan Leasing, a wholly owned office equipment leasing subsidiary, to IBJ Leasing, a Japanese leasing company in February 1999. Alexandra Harney, Tokyo

#### **S&P** reports new Itic problem

Tianiin International Trust & Investment Corp., an investment arm of China's Tranjin municipal government, has become the latest Itic, or window company, to face funding problems, according to Standard & Poor's. The US credit rating agency said yesterday Tianjin Itic was grappling with a cash shortfall as it faces a December 17 debt maturity on its 10-year Y10bn samural bonds.

Several Itics have run into similar problems following the collapse of Guangdong Itic on October 6. The closure of Gitic, with an estimated \$25n debt burden, sparked concerns among foreign bankers, who had been lending to Itics on the assumption that provincial government backing was guaranteed. Louise Lucas, Hong Kong

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@fl.com

#### tures. Undermined by the recent bank plans to make a a large injection of public However, Sumitomo Trust Big Bang deregulation. And Y735bn loan-loss charge in funds in exchange for its refused to implement the since NCB has specialised in fiscal 1998. because the government is refused to implement the trying to remove weak merger because of its con-banks from the sector cerns about LTCB's huge lending to the troubled Dentsu search over for

Asia push As a series of high-profile overwhelming presence in By Gwen Robinson in Sydney National Mutual Holdings, one of Australia's largest of the world's leading adverinsurance and fund manage-ment groups, said this week tising agencies were quietly doing a deal that will change the shape of the industry. it would step up Asian

The announcement that expansion plans, with about A\$260m (US\$160m) worth of acquisitions in the pipeline. Dentsu, Japan's leading marketing company, would take a minority stake in Leo Bur-The ambitious strategy, backed up by aggressive nett, the US advertising cost-cutting and restructurgroup, came after months of ing, raises questions about speculation about the Japarelations with its parent, nese agency's international Axa, the French insurance ambitions in the face of and we do have a rewarding giant that owns 51 per cent tougher competition at and highly useful relationof National Mutual, and home. It has been looking ship with Young & Rubicam, about Axa's own regional for an international partner there are potential clients

for some time.

Omnicom Group and WPP swept into Japan this autumn, snapping up pleces of local agencies bank, Fuji Film, Colgate

A number of leading conflict of interest," said global marketing conglomer Nobuo Momose, executive ates - most recently the vice-president. The Dentsu Young & Rubicam alliance brings a client

But Dentsu, which has an Momose said. Lee Burnett, which Dentsu

nies and pharmaceuticals per cent of total billings last largest advertising brand, groups sent shock waves pear nearly twice its closest provides a strong international global markets, two rival - had not signed an tional network and brand alliance with global potenimage, perhaps the two most tial since 1981, when it important factors as the launched its relationship advertising industry keeps pace with the consolidation Dentsu said an alliance with Leo Burnett, which

With the ink still wet on a preliminary agreement what Mr Momose called "the beginning of the beginning" - it is not clear how the two agencies will handle any overlap. The companies would also need to work out how to manage the new, broadened client base.

"The issue for Dentsu is how will it lever its profound relations with major domestic companies into foreign markets through these networks," said Kim Walker, president of Strategic Plan ners International, a Tokyo media planning group.



#### eased for sell-of rospatiale

ias. Bank Austria in

Maratione re-lices

TREMERSE

الم المحادث

master", one commentator More significantly, Axa's growing involvement in National Mutual's strategy the Australian and Asian insurance markets and the push for global-brand-prod-

The French company

acquired its controlling interest in National Mutual

in 1995 under an agreement

business through the

But announcements this week, including plans to

make the Axa brand the centrepiece of Australian and Asian marketing campaigns, indicated that the Australian

group was "rapidly becoming an outpost of its Parisian

to pursue Asian regional

National Mutual group.

day said it had bought an.

nals the end of a five-year alliance between the two companies to bid for an insurance licence in China.

In Singapore, National Mutual plans to acquire 100 per cent of Axa Life Singapore from its parent, subject to local regulatory approval. The deal, estimated to be worth more than A\$100m, would give National Mittual, which has been managing Axa Life Singapore since 1996, a strong position in "a very attractive market which is closed to new entrants", said Mr Killen. Only 12 life insurance companies were licensed to operate in Singapore, he said.

The group has also agreed to acquire a 45 per cent Interest in Pan Philippines Life, a joint venture between affiliates of Manila-based Metropolitan Bank and Trust Company, in a A\$15m deal that gives National espana Enaco IPOS P Mutual management control. National Mutual on Tuesday said net profits in the year to September shumped from A\$300.5m to A\$205.2m. The result included a net abnormal loss of \$25.1m on

restructuring provisions and costs of \$51m related to the traded in Tokyo yesterday aborted merger with MLC. The profit contribution of National Mutual Asia fell to A\$31m, from \$139m a year earlier. Mr Killen said the result was "satisfying" considering the poor economic Hong Kong in the period.

Wheelock falls 71% at halfway

slump in profits from provisions nsurance markets and the HK\$1.2bn to HK\$335.1m Analysts pinpointed push for global-brand prod. (US\$44.5m) for the six higher interest costs as one tots.

National Mutual on Tues dividend is slashed from 115. Wheelock's side The group day said it had bought an counts to 25 cours, to have about 8 per cent on additional 5 per cent of Poor results had been storage for its borrowings, National Mutual Asia from construction of Poor results had been storage for its borrowings, National Mutual Stake in the Hong Kong-based company to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of the poor of the pany to 74 per cent and signals of

year.

Gonzaga Li, chairman arm, Lane Crawford, is at attributed the results—the unmarket end and espewhich he said were in line, cially vulnarable. with the market - to the "unprecedented disruption" of Hong Kong's financial

blue-chip property develop-National Mutual's strategy Wheelock, the Hong Kong ers to make hig provisions, and products highlighted property conglomerate, yes which dented againness intensifying competition in tarday reported a 71 per cent Wheelock, there examings.

> forecasts and triggered a recession and rising unem-wave of revisions for the Toll ployment, and falling property prices. Wheelock's retail

> However, Wheeleck's secand half is expected to be better, lifted by the booking markets and economy. This of profits on sales of units at has led to higher funding the group's Galaxia develop-costs and lower asset prices, ment.

### Funding fears hit Japanese builder

By Alexandra Harney

builder, was having trouble acquiring funds from its March 1998, according to the local from its largest and one of its largest share-

Y406.72bm (\$3.4hm) of debt.

Jutaku fell 31 per cent to cent of total equity, yester-close at Yéo, an all-year day dismissed the reports record low. The stock was the second most heavily practices as "groundless".

home building but is also operating environment in involved in property, of the Hong Kong in the period. insisted it was having no crunch.

trouble acquiring funds from its primary lenders. The Reports in the market that group had an estimated Shokusan Jutaku, a leading Y98.3bn in interest-bearing residential and commercial liabilities and a net gearing

Japan's construction sector and one of its largest share-yesterday. holders - Is Sanwa Bank. Shares in Shokusan Sanwa which holds 49 per

The collapse of land prices after JDC, the contractor and stock values since that filed for protection from Japan's "bubble" economy of creditors last week with the 1980s and early 1990s
Y406.72bm (\$3.4bm) of debt. burst has hit Japanese con-However. Shokusan tractors and home-building Jutaku, which specialises in companies just as banks are tightening lending because of their own liquidity

right high yield financing is creating a new tradition for European companies.

Over the past decade, Morgan Stanley Dean Witter has worked to create a new tradition of high yield financing in Europe.

Howthe

By establishing dedicated, London-based, high yield sales and trading (1988) and origination (1994), we built the foundation that enabled us to be the first to provide complete, truly European high yield solutions for our clients.

In sterling, Deutsche marks and French francs, as well as US dollars, we've established a track record of

dependability and innovation with high yield issues for European clients such as Colt, NTL, Investcorp, BC Partners and Virgin Group.

Most importantly, every one of these issues has been an unqualified success. While leading the market in European high yield new issue volume, we have never had to ask our clients to withdraw or restructure

With our clients in mind, we have built this new tradition on a strong foundation.

### Standard & Chartered

Standard Chartered PLC

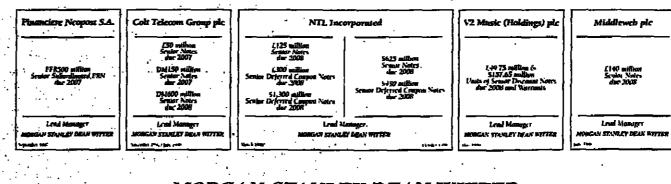
US \$400,000,000 Undated Primary Capital Floating Rate Notes (Series 3)

In accordance with the provisions of the Notes, notice is hereby given that for the interest Period from 10th December, 1998 to 10th June, 1999 the Notes will carry interest at the rate

Interest payable on 10th June. 1999 will amount to US \$256.68 per US \$10,000 Note and US \$6,667.01 per US \$250;000 Note.



6.25% and that the inter ayable on the relevant Interest syment Date March 10, 1999 equinet Coupon No. 38 in respe of US\$100,000 nominal of the iotas will be US\$1,562,50.



**MORGAN STANLEY DEAN WITTER** 

### Newlyweds put faith in command system

Astra and Zeneca have spelt out a detailed management structure for the new group to ensure that it has a future

Greg Mctvor and Tim Burt

A hotel near Stansted airport may not have been the most romantic location in which to tie the knot, but the deal Astra and Zeneca hammered out last weekend in Essex has a pretty good chance of standing the test

Unless, of course, public declarations of love draw out a rival suitor from Europe or

The chance that a hostile bidder may yet emerge are real, particularly in the case of Astra, which is cheap by drug industry standards. But assuming that does not happen, Astra and Zeneca have taken every precaution to make sure that this deal

have spelt out the manage-

terday. "There is a clear-cut. black-and-white authority for the chief executive offi-

cer, Tom McKillop." Dr McKillop, who has run Zeneca Pharmaceuticals our lifeline," said Sir David. the new company, said thereboard headed by Percy Bar-shifting around of research Perpazole. nevik, the well-known Swedish industrialist and crossborder merger expert, as Sweden from where R&D is well as Hakan Mogren, to be run. There would also Astra's chief executive, and be some cuts in develop-Sir David, "They will provide Tom with strategic

things," said one insider.

"A key strength of the deal is that they have sat down, thought the management structure through and laid it out in a lot of detail," said Mike Standing, head of life sciences at Cap Gemini, a respiratory disease and consulting and IT firm. They had learnt the lessons of the failed Glaxo Wellcome/SmithKline Beecham merger, he said; which

amid managerial conflicts. A second strength of the deal, according to those who helped put it together, is that detailed cost-cutting discussions have already taken

collapsed earlier this year

The new management is promising to reduce costs by \$1.1bn - roughly 12 per cent of operating costs. Twothirds will be derived from Most importantly, they overlaps in general administration, with some savings in basic technology and, in the "It was absolutely vital to longer term, from production have a clear command struc- costs. Total job cuts would ture," said Sir David Barnes, amount to 6,000. The savings, to be implemented. over three years, are expec-ted to cost \$1.2bn to achieve.

"We will not reduce research because that is vital to our future, that is assets between different sites in the UK, the US and

guidance, but he will run stressed the complementarity of the two companies' portfolio of drugs - both those on the market and in development. These are expected to give AstraZeneca strength in oncology, cardiovascular treatment, anaesthesia

> The company will have seven products with sales of more than \$500m a year, second only to Merck, which has nine. It will also have the second biggest salesforce in the US, with 4,000 representatives.

Three of the best-selling products will go off patent by 2003. Analysts said earnings would not be affected until the end of 2001, when Losec. Astra's suti-ulcer product and the best-selling drug in the world, goes off patent. That would give the new company time to license in new compounds. "We have to be realistic."

said Sir David. "In 2001 to 2003, there a number of patent expiries, but this is not an over-the-cliff-edge syndrome. We have new products which we believe will fill the gap." Ake Stavling, who will be

since 1994, will report to a He said there would be some were high hopes for Tugs group, contacts were second-generation version of Losec, and for the to Sir David and go from a anti-thrombin Melagatran, Utopian vision to concrete now in phase II trials. He predicted that the latter said yesterday. would be a blockbuster.

responsible for integration of



% of sales (number of products in bas)

years in the making.

the US drugs group.

inconclusive talks two years

ago about strategic co-opera-

tion. But a key obstacle was

renewed almost immedi-

affely. "It was nice to return

to Sir David and go from a

negotiations," Mr Mogren,

Yesterday's deal, will trig-

than \$1bn. Yesterday's about \$1.7bn, comprising \$750m to terminate Merck's announcement has been two rights to future drugs – discovered or acquired - and Astra and Zeneca held \$950m as a prepayment on

\$4.4bn due in 2008. It was

vital, said Sir David, that

Astra's long-standing US Astra had bought back its birthright. joint venture with Merck, Mr Mogren, like Sir David, had previously disparaged When Astra in July mega-mergers in the pharbought control of its US joint venture with Merck, the US maceuticals industry but

said yesterday: "Over the years I have become more and more convinced of the advantages of creating a larger company. We have reached the conclusion that our future would benefit most from a merger ger a payment to Merck of of equals."

Negotiations began in earnest six weeks ago. Sir represented Zeneca, while the Swedish team consisted of Mr Mogren and Claes Dahlback, chief executive of

1 2 3 4 5 6 7 8 9 10 11

Mr McKillop and Mr Mogren stressed that they did not foresee the sort of cultural tensions . which dogged Pharmacia & Upjohn after the Swedish and USbased groups merged in

shareholde

"We fit in products, we fit in R&D, we fit in markets and - last but not least - we fit when it comes to cul-

SHARE CAPITAL

### Investor will raise stake in merged group

Investor, the investment vehicle of Sweden's Wallen- it did not want to lift its berg business empire, said existing borrowings of yesterday it intended to SKriSbn beyond SKr20bn. increase its stake in Astra-Zeneca to between 5 and 10 Zeneca transaction as a per cent. ·

trols 10 per cent of Astra's macenticals as one of its share capital, will see its growth areas, along with maceuticals group diluted to pletion of the merger.

"We need to increase our remained as shareholders," holding in this company, he added. "The alternative and this has implications for would have been a takeover the rest of the Investor portfolio." said Claes Dahlbäck. Investor chief executive.

He indicated that investor could fund its increased stake in AstraZenecathrough disposals or cutting shareholdings in other involving Investor

Investor, Astra's largest The Wallenberg investment company has controlling stakes in companies accounting for about 40 per cent of the Swedish stock market - including Ericsson. the telecommunications group, Electrolux, the world's largest white goods manufacturer, and SKF, the hearings company.

If Investor increased its AstraZeneca stake by 2 percentage points it would cost company SKrlibn

fund that partially through debt, but Mr Dahlbäck said

He described the Astra-"dream deal" for investor, The company, which con- which has identified pharstake in the enlarged phar ielecommunications and information technology.

This is the only deal we could have made where we [of Astra], where we would ~ have received cash to reinvest in the pharmaceutical

The transaction marks the culmination of a frantic year of mergers and acquisitions companies.

Since Percy Barnevik took over as Investor chairman in 1997, the group has been involved in deals including the merger of Stora, the Investor-controlled pulp and paper group, with Enso of Finland. It has sold 35 per cent of Saab, the aircraft manufacturer, to British

Aerospa SEB, the Wallenberg family's financial flagship, also acquired the Swedish insurer Trygg Hansa. .

SYNERGIES ASTRA HAS NO EXPOSURE TO THE AGRICULTURAL SECTOR

### Questions remain over the future of Zeneca's agribusiness

One of the virtues of the Astra-Zeneca merger is that a lot of detail has been laid out clearly before investors. But one part of the puzzle remains unclear. That is the question of what will happen

Zeneca could be extended to the new combine - in other words whether the agribusiness would be sold.

board of AstraZeneca.

Sir David Barnes, who will described it as a "very good be vice-chairman of Astra-Zeneca, would not be drawn business" and said it was yesterday on whether the one of the attractions of life science strategy of Zeneca as a partner. However, he admitted that joining the two companies would not bring any syner-

gies to agribusiness. Under

sales, but only 20 per cent of the agricultural sector. Ake the agro-chemical division it Stavling, who will be on the inherited from ICI in the world's third biggest after Novartis of Switzerland and Monsanto of the US. Last year it had sales of about \$3bn, and analysts said it could fetch about \$5bn.

Zeneca has not spent as Sir David, Zeneca has grown

the agro-chemical division it ogn There has been resis-inherited from ICI in the same to genetically and field 1993 demerger to become the crops by European consumers and regulatory authorities, but US farmers have been quick to adopt the new

Some analysts say it is agro-biotechnology is widely aggressively as its rivals in accepted leaving those commoving into agro-biotechnol-panies that have not

behind.

"It is true, we look pusillanimous in our spend by comparison with Monsanto, but you should not draw the conclusion that we have been unwise from the point only a matter of time before of view of shareholder

to be gained from these mas- annual sales above £500m. and billions of dollars - in for the combine. Sir David

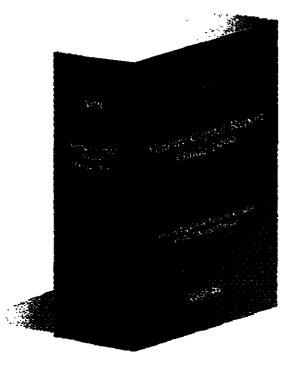
agro-biotech." genetics, Zeneca's agribusiness has grown substanvalue." Sir David said tially. That is partly due to "What is totally unclear to the strong performance of me is the quality of financial Amistar, a fungicide, which

invested in the area trailing return in the medium term. Sir David says would peak at sive investments - billions ... On the question of a sector would say only: "It is not In spite of the reluctance necessary if you are a pharto dive headlong into plant maceuticals company to have an agribusiness. But

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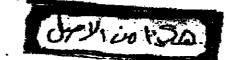
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Japan Airlines, the country's leading carrier, and British Airways are discussing a more comprehensive tie-up that could lead to JAL joining the Oneworld alliance, a global grouping led by BA.

isao Kaneko, JAL president, and Bob Ayling, BA chief executive, met yesterexisting alliance between the with other partners. two carriers on cargo to operations. Areas code-sharing and frequent-

Japan's steel sector took

another step in its restruct-

pon Steel and Sumitomo Metal revealed they had

accepted their first joint

order and that they were

The two groups, which

Financial Times that they had entered negotiations on strengthening relations between the two carriers, week in Tokyo. The two carriers are believed to have been discussing broader co-operation for the past year, but talks were bogged day to discuss expanding the down by potential conflicts

BA also co-operates with passenger All Nippon Airways (ANA), already has bilateral deals of the leading domestic Japa-

ment company in Norway.

Nippon Steel denied

reports that it had agreed a

tie-up with Sumitomo Metal.

but said: "However, we

recognise that advancing our

one direction we could

choose in view of the intense

competition in international

JAL and BA told the JAL would probably force market in the Asia-Pacific BA to pull out of that rela-

finalised before next sum-JAL's entry into Oneworld, which includes Canadian Airlines, American Airlines, Cathay Pacific, and Qantas Airways. Finnair announced vesterday it was also joining Oneworld.

The Japanese carrier with all Oneworld members.

The move highlights the

striking pace at which

Japan's steel sector, under

pressure from collapsing

domestic demand and the

threat of an anti-dumping

suit from the US, is moving

respond to changing market

Steel companies, facing a

Japan groups link up on order for steel pipes

region, and points beyond. It would also intensify competition with the Star Alliance, which includes United Airlines, Lufthansa, Air Canada, and Scandinavian Airlines. ANA plans to join the Star Alliance by October

JAL had resisted the industry's rush towards global alliances. With net secot Y94.2bn (\$788m) last year it had been in talks with several airlines about alliances but was reluctant to agree a multilateral deal flyer miles, but industry world greatly expanded for fear of damaging ties access to Japan, the largest with its 20 bilateral partners. years. This has increased

unprofitable divisions, elimi-

nating jobs, and contracting

under the terms of the agree-

ment, the groups would sup-

steel pipes a year between 1999 and 2003. The pipes

were reported to be intended

Nippon Steel said that

carriers, has been hit by collapse in passenger volume as a result of the Japanese recession. It recently suspended service to Osaka Nagoya, not disclose annual results for individual markets, Mr Ayling said profits had

The push toward global alliances has been driven by deregulation in the US and Europe and bilateral open

long-term stream of revenue

to the Norwegian market,

dominate the seamless steel pipe market, Nippon Steel

said. However, there would

as a result of the joint order.

Analysts said the joint order scheme reflected the

trend toward consolidation



hit by recession in Japan

Global alliances allow car-

the global oil industry

likely to help Nippon Steel

riers to cut costs further.

## 3Com in joint

3Com, the US computer networking company, are forming a \$100m joint venture to target the rapidly growing ship between the two compamarket for converged voice and data networks.

The 50:50 owned enterprise will design equipment that their computer networks.

This relatively new market, which is expected to grow to \$4bn over the next ing a company's web site to connect instantly to a live salesman. It would also facilitate video conferencing

through personal computers. equipment at the core of pany will provide software that allows phone calls to be made by computers and telephones that communicate over the internet.

The new operation, which will be launched with about 200 engineers and assets of \$100m including intellectual property from both compa-The products will be manufactured and marketed by the two joint venture part-

brand names. The move comes during a

ners under their existing

markets, especially in the US, where it has been losing Siemens of Germany and ground to rivals such as

The deal also marks an increasingly close relationnies which already have an alliance to cross-market each other's products, and which are also working with Newbridge Networks of Canada to develop high-speed data networking equipment for

ident of large enterprise business at 3Com, defended his company's strategy of market for converged voice and data equipment, which has been driving a number

"We would contrast ou approach with the go-italone route or the acquisition route, both of which

companies and telecoms groups, most notably the takeover of Bay Networks by Nortel, merely act as a mangroups such as Cisco, which have decided to attack the market on their own, under-

harehol

gan water in State Color

likely to view the alliance as companies that are finding it mens and reflects 3Com's hard to compete in an need to find its way back aggressive marketplace.

**Carmakers** eu approves dim219m grant

### **Daimler Chrysler** to produce new van in Germany

DaimlerChrysler yesterday struction in Minas Gerals said it would build a new city van based on its innovative A Class model at Ludwigsfelde in the former east Germany after the European Union approved a DM219m (\$131m) investment in the project by the state of Bran-

The EU decision removes the company's tacit threat to build the vehicle, designed for urban delivery rounds, at a new site in Poland.

Barlier this year, Daimler-Chrysler said a final decision on the location of the project would depend on the different merits of grant aid for Ludwigsfelde against the potential tax and investment benefits and much lower labour costs of Poland.

The company expects to build between 40,000 and 50,000 units a year of the

The project will fill out the bottom of Mercedes-Benz's commercial vehicles range by taking the company into a growing segment of the market not covered by its existing bigger products. Sales of the new vehicle should begin in 2001. The DM625m investment,

35 per cent of which will be funded by Brandenburg. came just as DaimlerChrysler's Brazilian operations announced ambitious sales and investment targets for

Undeterred by the steep fall in demand for cars and commercial vehicles, the Mercedes-Benz vehicles subsidiary said it would spend \$310m on new facilities in

cated to Mercedes-Benz's

Work on the factory, designed to make about 70.000 A Class vehicles a vear, was to have been completed by the end of 1998. However, construction was delayed by bad weather and the factory is not due to open until the end of Febru-

A further \$180m will be spent on improving the bus and truck range and production facilities in São Paolo state.

At a joint press conference, the Brazilian heads of Mercedes-Benz and Chrysler forecast ambitious sales growth for next year.

Ben van Schaik, president of Mercedes-Benz do Brasil, said sales should rise by 43 per cent to \$4bn next year from \$2.8bn in 1998. Much of the A Class. The company expects to sell 30,000-40,000 A Class cars next year, accounting for up to 25 per cent of total revenues in

Chrysler is forecasting a 13 per cent rise in unit sales on the back of improved products and a full year's output of the new Dodge Dakota pick up truck. Production of Dakotas started in July in Curitiba at a new modular factory highly dependent on suppliers.

Dennis Kelly, president of

Chrysler do Brasil, said the vehicles next year. The Curitiba plant expected to build 8,000 units, 20 per cent of which would be exported to Argentina.

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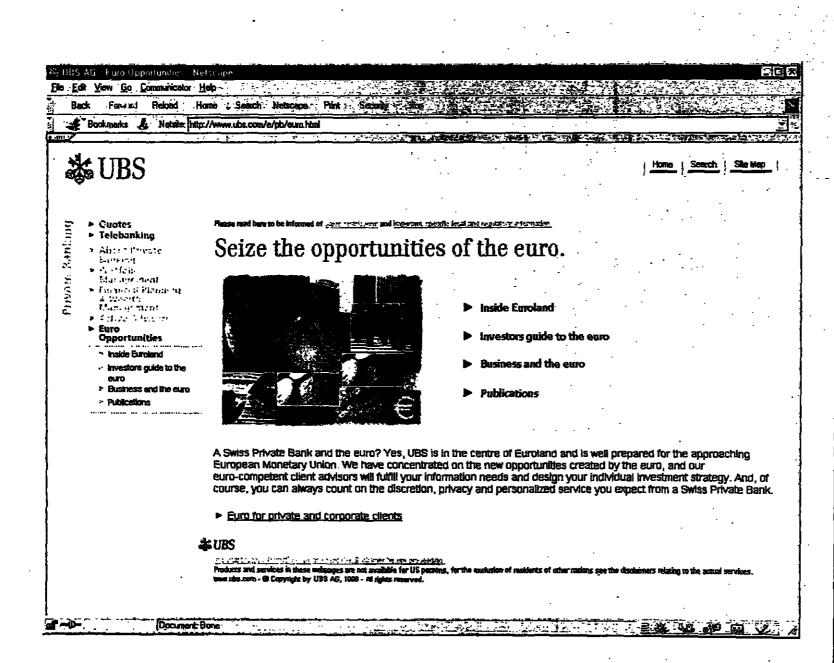
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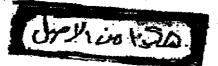
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#### COMPANIES & FINANCE: THE AMERICAS

NEWSPAPERS C\$980M OFFER TOPS HOSTILE BID BY TORSTAR

### uebecor rides in as Sun Media white knight

By Scott Morrison in Toronto

Quebecor, the Canadian printing and publishing group, has emerged as a white knight for Son Media. It has made a recommended offer for the country's second largest newspaper chain, for C\$980m (US\$834)

The offer exceeds a hostile C\$900m bid by Torstar, pub-

culation in Canada; second Hollinger group, which conwould acquire Sun Media's 15 daily newspapers and its 115 community and speciality publications, as well as its 60 per cent interest in an online news service and a.

30 per cent share of a 24-

Media rejected its initial lolds featuring scantily clad to Conrad Black's Southam-C\$750m bid as opportunistic girls. Hollinger group, which con- and not reflective of the One company's full value. Torstar officials were not avail-

able for comment Analysis had speculated that Quebecor or another strong culture clash between

One media analyst said Torstar was unlikely to make a counter-offer, but the stakes are high for the com-pany. Although it publishes the Toronto Star it has been suitor might emerge as a all but locked out of the white knight, given the national newspaper market as rivals have expanded to

The acquisition would give On Monday, Torstar raised aral Toronto Star broad Acquiring Sun Media papers, said it expected to Quebecor control of 25 per its cash and share offer by 16 sheet, and Sun Media, which would enable Quebecor to double national advertising cent of daily newspaper cirper cent to C3900m after Sun publishes right of centre tab become the third publisher revenues as a result of the to be able to serve advertisers nationally.

The new company would control daily newspapers in 10 of the top 11 Canadian markets, with 7.8m copies, providing a strong platform national and multi-market advertisers.

Quebecor, which owns

acouisition.

Quebecor said it would combine its newspaper assets with those of Sun Media to form a new publishing company, as well as merge its multi-media division with Sun Media's online Sun Media's chief executive, four daily newspapers and 56 will head the new publishing

store outlet

Lycos, the popular internet search company, is going a continuing effort to distinguish itself from rivals such as Yahoo! and Excite.

Lycos plans

to open online

After acquisitions this year, such as Wired Digital for \$83m. Lycos has rapidly gained the fourth largest internet audience behind Yahoo!, America Online and

Like other portals, Lycos offers a collection of services including internet search. chat, news and shopping. However, it has set itself apart by operating a variety of branded sites on the internet rather than uniting its services under one name. In addition to Lycos.com, the company runs a range of Suck.com, Wired News and HotBot com.

Lycos is now further distancing itself by its approach to shopping. Unlike other portals, which channel their AP viewers towards outside

internet retailers under valu-Lycos has set up its owninternet department store. The company sees a num-

ing its own store - such as un-to-date information about a what is in stock, and allowrange of items from a single destination. Lycos said it did not?

flict with its existing relationships with outside internet retailers, such as CDNow and Preview Travel, but analysts questioned whether, Lycos had the skills to man-The move reflects the bat-1 tle between portal sites to find a genuine competitive advantage. Analysis expect: only three or four of the plethora of portals to estab-t With Yahoo! and AOL seem-: ingly assured of their market position, the battle between such as Excite, Lycos and

Infoseek, is becoming

increasingly intense.

### Citigroup eyes sale of Phibro

Citigroup, the US-based financial services conglomerate, said yesterday it was considering putting Phibro. its commodities trading subsidiary, up for sale. It is the latest sign of Citigroup's shift away from proprietary

Phibro was previously part of Salomon Brothers, the Group proceeded, it expected investment bank acquired by Travelers Group, the parent of Smith Barney, last year. Salomon Smith Barney became part of Citigroup fol- proprietary trading stratelowing the completion in gles, Citigroup believes that September of the merger of Phibro may be more attrac-

Citigroup said yesterday it was evaluating strategic alternatives for Phibro, including the possible sale of the company. Salomon Smith Barney is advising Citigroup.

Citigroup said that as the integration of the former Citicorp and Travelers increasing emphasis on its customer-oriented husi-nesses. "Because Phibro's strengths largely involve

Citicorp and Travelers tive to another owner," it

In July, Salomon Smith Barney closed its US bond arbitrage business, and the head of that business, Robert Stavis, left the firm. Its global bond arbitrage busitially reduced.

People familiar with the global bond arbitrage business say the amount of capithan halved. Costas Kaplanis, head of that business, has said he will retire at the end of the year. Paul Matthews will then assume

when it bought Salomon and is now co-head of Citigroup, is traditionally risk-averse. But the change of culture appears to have created tensions within Sakuton, a firm traditionally known for its

This has been exacerbated mercial banking culture of the former Citicorp.

Philoro's net trading reve nues for the first nine months of 1998 were \$154m

It made \$132m in 1997 and

risk-taking and trading



### Lojas Renner shareholders attack takeover

Exchange shares of a Brazilian depart- substantially undervalues ment store chain acquired the company. on Tuesday by J. C. Penney, the US retailer, after shareholders protested that the takeover set a poor precedent for treatment of minority investors.

would only resume after price paid for the controlling J. C. Penney, revealed the shares being divulged mean price it paid for 102 control. Impority investors are disast ling stake in Lojas Renner and announced its plans for decision to buy or sell." the company. The sale agreement with the family that offer of R\$25 per share valheld 63 per cent of voting use Lojas Renner at only 1.25 stock, equivalent to 27 per cent of the company's total equity, stipulated that the sale price could not be

the local subsidiary of Credit

voting preferred stock. How-The São Paulo Stock ever, minority investors yesterday have complained that the suspended trading in the offer, which is voluntary.

partner at Dinamo, a Rio de ers, said: "The price they are The exchange said trading We think that without the vantaged when making a

> s its book value about 40 per cent below its

Although brokers say I.C. Penney has treated minority shareholders Suisse First Boston made a harshly, they agree that the public offer to buy 70 per offer is perfectly legal.

### Nasdaq move on internet access

Nasdaq, the second largest stock exchange in the US. yesterday announced an initiative to push Nasdaq 100 retail investors faster internet-based access to financial Such presentations - quar-

comments on earnings and sales expectations - have been offered mainly to institutional analysts, with the public having little access at the time of broadcast. The move stems from a through three websites. partnership between Nasdaq

terly and often including

and Broadcast.com, the US internet company which pio-"webcasting" technology, whereby websites allow a means of access into

company presentations.
"What this provides is the opportunity for individual is hearing," said Susan Arthur, director of interac tive services as Nasdag. The pilot programme will start in January and will

to Broadcast.com's technology, on a voluntary basis. Participating companies will transmit earnings conited via the internet. Individuals will also be allowed -

subject to company approval

- to e-mail the company during presentations, which will

be open to anyone with access to the internet growing but still small num-ber of companies have ed their conference calls community, using technol ogy similar to Broad-

cast.com's. Shares of Broadcast.com investors to hear the same were 20 per cent higher at information that the Street \$65% in midday trading.

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London stock exchange

### Fed approves **BNP** subsidiary

received approval from the US Federal Reserve Board to Corrigan.

It is authorised to engage in underwriting and dealing of all types of debt and equity securities and in cartain other non-banking activities, the bank Asian and European compa-

based in New York, will start operating officially in early January as a wholly owned Section 20 subsidiary. It will initially employ about staff nationally. 100 people, some of whom

Banque Nationale de Paris, the bank, a spokeswoman the French bank, has said but is likely to expand

The focus of the new business will be the origination ing subsidiary, writes Tracy and distribution of highyield bonds and Yankee bonds (US bonds issued by toreign borrowers).

BNP Capital Markets will also engage in equity underwriting and distribution of BNP Capital Markets, vate US equity markets. BNP, which operates with a wholesale bank licence,

has had a US presence since 1918 and employs about 650 The bank has 700 offices in

London Stock Exchange Ltd., Old Broad Street, London EC2N 1HP, www.londonstockex.co.uk

### Kingfisher and Heal's bring cheer to sector

news of surprisingly strong

Kingfisher reported a 5 per cent improvement in same store sales for the 13 weeks to October 31, with even stronger performances from its Woolworths and B&O

By Charles Pretzlik

auction.

Two venture capital groups

have emerged as front run-ners to buy the Coral betting

shop chain from Ladbroke

after Stanley Leisure, the

gaming group, last night

said it had pulled out of the

The two groups which

have gone through to the third round of bidding are

understood to be Cinven and

Morgan Grenfell Private

Equity, the London-based

venture capital division of

They are believed to have

offered about £370m (\$614m),

well above the £350m ana-

lysts had expected Coral to

fetch. It is also more than

the £363m Ladbroke paid for

the chain - Britain's third

largest bookmaker, with 833

shops - when it bought it

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Deutsche Morgan Grenfell.

niture retailer, reported in recent weeks. Kingfisher and Heal's annual profits up by 41 per yesterday delivered the first cent to £3.3m (\$5.5m), exclusigns of seasonal cheer to a ding exceptionals, on turntroubled retail sector with over up 10 per cent to £26.7m. It said sales in the past 11 weeks were running about 3 per cent ahead of last year.

The companies' statements were in sharp contrast to those issued yesterday by furniture retailers. DFS and Courts, which

front runners for Coral

last year from Bass, the

brewing and hotel group.

The Tote, the state-owned

betting business, is under-

must increase its offer if it is

to proceed to the next round

of bidding, despite having

been widely tipped as a

Stanley Leisure said it "is

no longer involved in the

bidding for the Coral busi-

nesses". Stanley offered less

Other bidders, who have

not been invited through to

the next round, included a

management buy-in proposal

headed by Michael Snapes, a

former managing director of

Coral who secured backing

from HSBC Private Equity

and PPM Ventures, which is

part of the Prudential Corpo-

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SHORT AND MEDIUM TERM

DEBT INSTRUMENTS PROGRAMMES

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CITIBANCO

Ladbroke was forced to yesterday to 217p.

3 Fiat Bank Polska S.A.

FIAT BANK POLSKA S.A.

ration, the life assurer.

favourite to buy Coral.

than £340m.

reported sharply lower sales They also contradict statis-

tics released this week by the British Retail Consortium, showing successive declines in overall UK retail sales for the past two months.

The sector has been hit in recent months by a steady flow of bad news from high street retailers. Storehouse issued a profits warning last month, and Marks and Spen-

sell Coral when Peter

Mandelson, the trade and

industry secretary, upheld a

Monopolies & Mergers Com-

mission report recommend-

ing that its acquisition of

tion would weaken price

competition at a national

level and reduce punters'

choice of betting shop

Ladbroke is already

Britain's largest bookmaker

with 1,900 shops. It had

hoped to avoid being forced

into a disposal by agreeing

to sell 133 Coral shops to the

Ladbroke was given six

months to sell the business

but is believed to be confi-

dent a deal can be struck

Ladbroke's shares fell 91/2p

early in the new year.

Citibank (Poland) S.A.

ING BARINGS

July 1998

Tote for £46.5m.

The MMC said the acquisi-

Coral should be blocked.

cer talked of a "bloodbath" of about £575m this year. on the high street. Retail shares have underperformed the market by almost 21 per cent in the past year as a

"Everybody was expecting to downgrade Kingfisher today, said one analyst. "We would have been happy even if we had had to cut \$20m from our forecast," said another. "In the end we did not have to." Analysts are expecting annual profits

eyes one of BTR's

divisions

group, is considering bidding

for part of BTR's automotive

(\$415m), if the division is put up for sale after Siebe takes

Tomkins, like BTR a for-

mer conglomerate, has how-

entire car parts division.

ever ruled out a bid for the

Analysts value the BTR

utomotive division at about

Elbn, and several had

assumed that Tomkins

Greg Hutchings, Tomkins

chairman, said buying the

entire car parts division

would unbalance the group

He added, however, that

Tomkins would be interested

in buying about a quarter of the division. BTR's automotive interests, which had

sales of £1.33bn in 1997.

include rubber seals for windscreens, antivibration systems and a Latin Ameri-

Tomkins, through its

acquisitions of Gates and

Stant, makes windscreen

wipers and engine timing

"Sealing systems are quite

low-technology, but some of

the other businesses are

attractive." BTR's antivibra-

tion business accounts for 26

per cent of the division's

sales, and has a broader geo-

graphic base than rivals

such as Tokai, Paulstra and

Siebe and BTR, which

describe the all-share take over of BTR as a merger,

have not said the automotive division would be sold, but

analysts believe it sits

uneasily with the two engi-

neering groups' controls and automation businesses.

Mr Hutchings conceded

that "we may not get the

opportunity to get the bits

we want," but reiterated that

Tomkins could spend £500m-

£700m on acquisitions this year. Prices of bid targets

were beginning to fall, he

He added that the UK

manufacturing environment was "starting to get really

tough", and predicted: "Things will get harder for

Mr Hutchings said Tom-kins had reviewed the possi-

bility of taking its primary

stock market listing to the

US, although "we are not

actively considering a

The state of the s

the next year or so."

move".

Hutchings said:

can business.

too much, and we would not

get the synergy areas".

vould be a natural buyer.

the company over.

is, worth about £250m

The news fuelled a sharp rise in Kinglisher's shares, closing up 11 per cent, or 61p, to 604p, even though Christmas trading would be

tough. Sir Geoffrey Mulcahy, chief executive, said that since the beginning of November "sales growth has continued to slow and Christmas trading is proving very competitive".

B&Q outperformed the group as a whole with like-for-like sales growth of 6 per cent. That is likely to reassure nervous French inves-Kingfisher warned that tors who are due next week to vote on the proposed merger of B&Q with Castorama. B&Q also announced plans for joint venture in China to open a DIY store in

Shanghai. Darty, the French electricals chain, reported like-forlike sales up 7.2 per cent.

tion in the personal finance sector with Irish Life, the

largest provider of life assur-

ance, and Irish Permanent,

the biggest mortgage lender.

Mr Went compared the

new group with a European-

style bancassurer, and said

it would create "a sense of difference and uniqueness"

and provide "major competi-

The company, using its

branch and agency network,

will be able to provide a one-

stop-shop for a range of

in the home market.

tion" to Irish rivals.

### Venture capitalists are |Tomkins |Merger terms for Irish group

David Went, who will become chief executive of the company formed from the merger of Irish Life and Irish Permanent, said yesterday the core objective was to focus on developing the Irish market in the short to medium term". It already derives 80 per cent of profits from this market.

Under the announced yesterday Irish Life shareholders will receive 61 new shares for every 100 shares held. The I£2.8bn (\$4.1bn) merger, which is expected to be completed by April, will create a company with more than Itibn in life assurance premiums and I£15bn in assets. It will be the third force in Irish banking, after Allied

financial services. Irish Life was advised by Schroder, while DLJ Phoenix advised Irish Permanent. Roy Douglas, Mr Went's

counterpart at Irish Permanent, becomes non-executive

#### chairman in May 2000. He will oversee the integration, which is expected to result in savings of I£12m a year Irish Banks and Bank of Ireland, with a strong posi-

#### Sage advance 27%

By Christopher Price

A strong performance from a recently acquired US business helped Sage, the accountancy software group, report a 27 per cent rise in pre-tax profits from £37.6m. to £47.6m (\$79m) in the year:

another 76,000 customers in

the UK taking the number there to 250,000. In France, where the group is also market leader, the number of new customers rose almost a third to 360,000.

its performance in the US was lifted by the sevenmonth contribution from State Of The Art, the software group bought for £220m. Mr Walker said the integration bad been successful, but there would be

#### COMMENT

#### Tomkins

Greg Hutchings' yellow shirts and blue-check ties co-Share orice relative to the ordinate with Tomkins' cur-FISE AS-Shore Index porate colours, but he still clashes with investors on matters of fashion. In mid-1997, after the cash-rich conglomerate said share buybacks were no longer taboo, Tomkins shares began to make up lost ground. Since then just £88m has been spent on buy-backs by a company producing £130m in residual cash flow each year. Now investors are again giv-

ing Mr Hutchings cause to bemoan his rating. In two Tomkins will be reclassified as an engineer. Mr Hutchings says it is no mor diverse than GKN, and few in the sector can match his consistent record of growth in earnings, dividends and cashflow. So why is Tomkins valued like a mid-ranking engineer on 11 times this year's earnings? Organic growth has been uninspiring, and may dry up completely this year as automotive markets slow down. Food manufacturing generates plenty of cash but its growth rate is below that of gross domestic product and it is hard to define as engineering.

1997

The question mark hanging over the future of the bicycles and gons division does not help, but the balance sheet remains the major issue. Even after £741m of acquisitions last year, debt stands at an insignificant £100m, and Tomkins' cost of capital is still too high. It is right to be cautious in picking over BTR businesses, but it needs to make bolder use of its cash to justify a rerating.

#### Kingfisher

Finally, some fuel for the more cautious on the Bank of England's monetary policy committee. A surprisingly robust third quarter trading statement from Kingfisher has put the brandy back into retail investors' Christmas pudding. In such uncertain times - the roll call of profits warnings in the sector has made sorry reading - Kingfisher's consistency deserves a premium

ency deserves a premium. Given solid like-for-like sales growth over 5 per cent, vesterday's 11 per cent share price rise does not seem verdone. Woolworths comparable sales growth of 6 per cent is showing Gus's Argos a clean pair of heels. And B&Q's 6 per cent growth also implies impressive market share gains. Following results like these, shareholders in Castorama, who are to decide on the B&Q merger on December 18, should vote yes, and with both hands raised.

### US acquisition helps Vanguard Medica drops another drug

Shares in Vanguard Medica fell 19 per cent yesterday after the UK biotechnology company said it was abandoning another of its drugs under development, a treatment for kidney failure.

The move, reached after analysis of Phase II trial data, follows the company's decision in September to drop two other drugs, both further improvements in the | for psoriasis, the skin dis-

The shares fell 35p to 150p, down from 642p in April. Vanguard also announced

had signed an agreement with 3M Pharmaceuticals of the US to develop and test a potential oral treatment for liver infection caused by hepatitis C

In May, Vanguard shares lost a quarter of their value in a day after SmithKline Beecham, the UK pharmacentical group, decided not to proceed with plans to sell its lead product.

### to September 30.

There were good performances too in the UK and France, contributing to a 26 per cent increase in turnover to £191.5m. Sage won

US group's operations.

#### RESULTS

	Torney	er (Ém)	profi	t (Sm).	EPS	(p)	payment (p)	payment	dividend	year	Year
Advest & 6 miths to Sept 30	1.41	(1.11 )	0.1064	(0.258 )	1.15	(-)	•	-	-	· <u>-</u>	-
Anita 6 mins to Oct. 31	81.1	(78.9	3.99	(0.526L+)	1.1	(mili)	nii.	-	nii	-	œ
Apollo Metals		(74.5 )	8.06	(3.734)	13.5	(7.2)	3.4	Feb 25	3.05	5	4.5
Associated Necsing 6 mins to Sept 30	21.8	(18.2 )	0,435	(1.02)	1.4	(4.1 )	1.1	Jan 20	1.05	-	4
Bogod 6 raths to Sept 30	2.88	(2.98 )	0.186	(0.216)	22	(2.56)	0.15	Feb 3	0.15	-	0.55
Courts 6 miles to Sept 27	224.9	(210.4 )	6.11	(9.71)	3.94	(7.46)	1.05	Apr 9	1.05	-	4.5
Firth Holdings 6 miles to Sept 30	25.6	(24.8 )	0.31	(0.43 )	0.27	(0.48 )	-	· -	-	-	0.3
First Rivson Yr to Sept 30	168	(157.1)	22.5	(16.1 )	10.9	(8.2)	2.25	Apr 8	2	3.25	2.8
Greenalis Yr to Sept 25	983.4	(1,142)	158.2	(137.76)	42.6	(35.86)	10.51	Feb 26	10.01	17.71	16.71
Hear's Yr to Sept 12	26.7	(24.2 )	3,33	(1.54	19.2	(1.ZL)	3.75	Feb 24	3.2	5.75	3.2
Smith	76.5	(81.3 )	2.47L♠	(1.22 )	7.2L	(2.56 )	2.1	Apr 7	2.1	4.2	4.2
Holmes & Marchant Yr to Sept 304	25.9	(25.7)	1.19♥	( ♥IQ.I)	4.5	(27)	nil	-	nii	nil	nii
J Lewis (Ifford) \$ Yr to Aug 31	2.56	(2.18 )	0.196	(0.406 )	0.121	(0.25 )	0.108	Jan 30	0.108	0.108	0.108
Metroline Yr to Oct 9	47.8	(36.4 )	5.9♥	(4.27♥ )	21.01†	(16.31 )	4,9	Mar 5	1.8	7	1.8
New Leadon Capital _ 6 miles to Sept 30	-	(+)	0.708	(0.582)	0.38	(0.75 )	1.16	Jan 29	1	-	7
Sage Yr to Sept 30	191.5	(152.1)	47.6♥	(37.6)	28.85	(23.43 )	212	Mar 1	1.93	3.19	2.9
SI-1 Yr to Sept 30		(41.9)	10.1	(2.23(4)	10.11	`(-) `	3.4	Apr. 14	-	5.1	-
Smith (Devid S) 6 mits to Oct. 31	569.6	(554.8 )	20.7♥	(29.3 j	5.2	(7.1 )	2.7	Apr 12	2.7	-	8.2
Tinsiey (Eliza) 6 miles to Sept 30	26	(24 )	1.2	(1.16)	5.07†	(5)	231	Feb 1	2.2	-	6.4
Total Systems 6 miles to Sept 30	1.78	(2.02)	0.495	(0.476 )	3.32	(3.193 )	0.8	Feb 26	0.65	-	1.65
Victrex Yr to Sept 30	49	(43 <i>A</i> )	13.1	(11.5)	12.1†	(11.1)	3.63	Feb 4	3.3	5.28	4.8
Investment Trusts	iza:	( (a)		britable 198 (E)#)	98	B (p)	Corrent payment (p)	Date of payment	Corresponding childrens	Total for year	Total last year
Archimedes Yr to Oct 31	922.83	(807.73)	0.46	(0.389 )	37.52	(31.77)	23	Feb 18	20	36	32
BFS inc & Growth 3 mits to Oct 31	84.B	(- )	2.52	(0.289 )	3,17	(2.64)	. 25	Jan 15	1.8	-	
MC Smaller Cos 6 mins to Oct 31	125.2	(151.1)	1.41	(1.44)	2.06	(2.1)	1.25	Jan 22	1.2	-	3.3
Prelude 6 mits to Sept 30	99	(98.2 )	0.013	( <del>-</del> )	0.1	(-)	ىع.،	Jan 22	1-2	-	3.3
Scudder Latin 6 mins to Oct 31	82.03	(108.85)	0.19	(0.055)	0.38	(0.11)	-		-	-	0.5
Earnings shown basic. Dividends shown in		<u> </u>		<u> </u>	nding peri	<u> </u>	stock. After	exceptiona	charge. WAtte	r exception	
increased capital. Corrected period.					5	•					

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New Lembus Capital Shareholders who accept the Merger Offer wall receive 6 new Ochham Shares and Jip in each for every 5 New London Capital Shares and so in proportion for any other number of New London Capital Shares. In addition, New London Capital Share, the Addition, New London Capital Shares are to the service of the Capital Shares are to the Shares are to the service of the service of the service of the Shares are to the Shares are the Sh

The New London Capital Shares will be acquired fully paid and free from all bens, charges and excuminances, rights of pre-emption and other than party rights, together with all rights now or thereafter attaching thereto, including the right to all devidends and distributions declared after 4th December 1948 (but excluding the pre-Merger interim dividend of 1 lopings) per New London Capital Share psyable on Neb January 1946 in respect of the year ending 11st March 1999. The full terms and conditions of the Merger Offer (including details of lave the Merger Offer may be accepted) are set out in the Merger Discussive and the Form of Acceptance. New London Capital Shareholders who accept the Merger Offer may rely only on the Merger Document and the Form of Acceptance for all the terms and conditions of the Merger Offer.

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The Merger Offer, which has been made by means of the Merger Document and this solventism upth 3 to jum on With December 1998.

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Application has been made for the Bonds to be admitted to the Official List of the London Stock Exchange. When issued dealings in the Bonds commenced at 9.00 z.m. on the 9 December 1998 and it is expected that such admission will become effective, and that unconditional dealings in the Bonds will commence, on 22

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Airtours plc

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A Supplementary Prospectus dated 9 December 1998 has been published relating to Aircours ple which contains details of the interest rate and of the initial price at which the Bonds are convertible into Ordinary Shares of Airtours ple and certain technical amendments to the Prospectus dated 24 November 1998. Shares of Antours pic and certain technical amendments to the Prospectus dated 24 November 1998.

Copies of the Supplementary Prospectus relating to Aircours pic may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 11 December 1998, from the Company Announcements Office, London Stock Exchange, Old Broad Street, London EC2N 1HP (by collection only) and up to and including 24 December 1998 from the registered office of the Company, Parkway One, Parkway Business Centre, 300 Princess Road, Manchester M14 7QU and from Citibank, N.A., 5 Carmeline Street, London EC4Y OPA.

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10 December 1998

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Rocket Thai Company Limited USD13 Million FRN due 1999 (Former: Rocket Electric That Co., L(d) nt Period: 10 DEC 1998 - 10 JUN 1994

fet. Rate: 12.12188% p.a. all-in 50st: USD 190,800, or. Anst. per CPN: USD 6.128.28 KDB Asia Limited as Reference Agent

US\$500,000,000 Posting rate notes eptember 1999 Notice is hereby given that the notes will bear interest at 24375% per annum from 0 December 1998 to 10 March 1999. Interest payable on 10 March 1999 will amount to US\$13.11 per US\$1,000 note. US\$131.09 per US\$10,000 note and US\$1,310.94 per JS\$100,000 note. Global Agency and Trust Service Carbank, N.A., London 10 December 1998 CITIBANCES

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**TECHNOLOGY** 

TECHNOLOGY HOUSEHOLD APPLIANCES

### Futuristic menu for the kitchen

Thomas Barlow takes a look at why? media-related researchers are focusing on ovens, dishwashers and refrigerators

Lab at the Massachusetts institute of Technology. kitchens, perhaps surprisingly, have become the focus

of "media-related" research. First, Joseph Kaye, a British-born student. instruction-less microwave oven, which fixes cooking times by reading the barcodes on food packaging. Now, a team of research staff is working to create what they ambitiously call "the kitchen of the future".

There, food is tagged to enable radio-frequency identification, shopping is automated, and countertops are programmed to help you weigh ingredients and talk you through recipes. The research is still academic, even "pie in the sky". But that it is taking place at all especially in such a place as MIT - hints at a wider phe-nomenon: kitchens have become a focus for innova-

Consider only a few of the most recent products to hit the Neptune, which Maytag the market. In cooking tech-claims will save, on average, nology, there is the Flash- 6,000 gallons of water a year bake oven: the first house- compared with conventional hold oven to come out of machines. Frigidaire has cre-Silicon Valley, and the first ated an efficient and remarkoven based on visible and ably quiet dishwasher called near-visible light, producing the Precision Wash. traditional oven cooking quality at microwave speeds. Cliff Adams, chief executive of Quadlux, which man-"the first innovation in cook-

What do kitchens ing since the microwave". have in common with radio, television, and the internet? In the Media internet? In the Media internet, and mercial cooking market, and the first household version

on December 1 In dishwashing, the hot news is the dishwasher-in-adrawer. Developed by the Australian company Fisher invented a button-less and & Paykel, this will probably turn out to be the first of many products aimed specifically at the growing market of one- and two-person households. The smaller

> A new toaster prints 'I love you' or 'Good morning on

your toast

industry-wide drive to improve efficiency. Super-efficiency is the principal design feature of Maytag's washing machine, claims will save, on average,

At the very least, most brands now offer a delaystart option to run machines at off-peak times to take ufactures the oven, calls it advantage of lower energy

ary. But Klondite makes a refrigerator with glass panelling so you can see what's inside. Sub Zero has engineered a refrigerator in a

thing about the built-in water filtration system that Maytag has introduced

in cookware, things have never looked better for the consumer, says Hugh Rush of the Cooking Manufacturers Association of America. Non-stick pans, once seen as come with a lifetime guarantee. Stainless steel cookware is now commonly layered. with aluminium or some other high-conductivity material sandwiched on the inside to improve heating the UK, has made cooking safer with an ovenproof phenolic plastic that stays cool to the touch during cooking.

the problems faced by manufacturers of kitchen appliances is that product lifetimes are long. A typical household will keep a refrigbe upgraded until it breaks.

drawer. Frigidaire makes a big

tor: so effective that it removes the giardia parasite, which can cause diarrhoea. something that seems so obvious, it is a wonder no-one thought of it before. They call it the elevator shelf: you twiddle a knob and one of the shelves in your fridge adjusts up and

turers are beginning to realise that there is a lesson here to be learned from the computer industry. Think times. And Hemo, based in how many people have upgraded their 286-based machines to a Pentium. Innovation does not only win you market share from What has sparked this your competition, it also prevents market saturation. In flurry of innovation? One of effect, it can expand the size

Some appliance companies have explicitly tried to fol-low this model. Maytag, for erator for 10-15 years; a example, has gone all out to washing machine may not sell itself as an innovative company. Even its advertising in the US has stood out

for being quirky and inventor of the Flashbake unusual. Linda Eggress, oven was inspired in a pizza manager of marketing and media relations, says the company wants to draw consumers into the appliance market, rather than have them waiting for appliances to wear out.

The strategy seems to have worked. Although Neptune is a top-end product (it sells in the US for \$1,099, at quite a premium over other machines). Maytag has had to upgrade production three times since its launch to meet the demand.

Where are the ideas coming from? Jenne Westerberg,

restaurant by the observation that pizzas have similar puter chips. That led him to wonder whether the highintensity light used to fuse computer circuits could be

used to cook pizza. None of the other house resque. One curlous thing that many of the designs do have in common, however, is cross-fertilisation from different cultures.

Many of the high-efficiency washers coming on to

the market were inspired by Mr Kaye received his the US Department of Energy. However, the technology employed frequently tion of European engineering. Both the Neptune and the Precision Wash reprebad design". sent US improvements on

what are essentially European designs. Tony Evans at Frigidaire says the Precision Wash drew on Electrolux technology. (Electrolux of Sweden has owned Frigidaire for the past decade.) Even at the Media Lab, an

inspiration for the buttonless microwave oven while living in Japan, There, came to the conclusion that "if there's a lot of writing on something, it is probably a

That, however, is not philosophy that is universal launched a toaster that prints "I love you" or "Good morning" on your toast. Perhaps the kitchen is not such an unusual subject of

s apother dru

Marci Medical

FT GUIDE TO VIRTUAL CLOTHING

### Tailor-made with the right image

Clive Cookson explains how body scanners should soon have the ability to take the pain out of clothes buying

Isn't clothes shopping a nightmare? When I try on things that are supposed to be the right size for me, they usually turn out to be either embarrassingly tight or too baggy. And buying clothes by mail order is just

Don't worry - new technology will soon make life easier. Body scanners are becoming cheap, fast and reliable enough for the retail and clothing industries to consider installing them to measure customers electronically.

Once your 3D image has been recorded, you'll be able to use it in various ways. You could match it to the shop's range of ready-made clothes before trying anything on. You could use it on your home computer to buy clothes on the internet. Or you could order an outfit to be made specially to fit your 3D image - a high-tech version of custom tailoring. It sounds wonderful. Can you book me in for a scan?

Not yet. Consumer scanning systems are still mainly experimental. So far most work has been done on electronic tailoring" of custom clothing. For example, the French navy has used a system produced by Telmat of France to scan 70,000 sailors and produce uniforms, Hamamatsu . Photonics of Japan has installed about 40 scanners in Asia for modelling and designing up-market women's underwear.

The UK is taking a more comprehensive approach. A university-industry consortium with 20 members, including retailers, electronics and clothing companies, has launched a 53.4m research project in 3D Electronic Shopping, under the government's Foresight Link programme. It plans to use body scanners for virtual shopping and custom-made clothing - and to carry out a national sizing survey. A sizing survey? Surely the main clothing manufacturers and retailers already know the range of their customers' sizes and

shapes? Not well enough. Although companies do occasionally measure up a supposedly representative sample of customers, there has not been a comprehensive

national survey since 1951. Anecdotal evidence, like your own shopping experience, suggests there is a mismatch between customers' measurements and the range of clothes on

The new survey will involve scanning a sample of 30,000 men, women and

children. Rosy Coveney, who represents Next on the project, says the results will help all ready-made clothing manufacturers. "We know we're different to fashion drawings but it's all a bit hit-and-miss today," she says. "It will be great to have some accurate factual evidence."

What does the scanning itself involve?

It's quick and painless! You strip down to your underwear, step into the scanning booth and stand on the designated footmarks. Then the machine scans you vith low-power beams of infrared light that measure 100,000 points on your body. After a few seconds you step out and put your clothes back on. Meanwhile, the computer is extracting a

high-resolution image, which

can be fitted with "virtual

clothes" and animated on

Made to measure: scanning is

store the computer data about my bodyshape? I'm sensitive about my bulges and I don't want anyone else looking at them.

Important details, such as networking standards, have not yet been worked out. But Roger Till of e-centre UK. who will manage the virtual clothes shopping part of the Foresight Link project, says privacy and confidentiality will be built into the system. As he points out, people vary enormously about how sensitive they are. Some don't care who knows their dimensions; others. particularly women, are

almost paranoid. You'll be able to hold your own data on a home computer or even on a high-capacity smart card to take shopping with you. Or the data could be stored centrally by a retailing or

mail order company. Unless you change shape musually quickly, each scan should last for at least a

You've made me even more enthusiastic. How long will need to wait? Philip Treleaven, the

project leader at University College, London, hopes the project will make quick progress, with constration scanners shop kiosks, internet and interactive television services ready within 18

"This technology is going to be huge worldwide, and the UK companies could gain an international advantage if they move quickly," he says. But it remains to be seen

how quickly the retailing and clothing industries, which are traditionally secretive and reluctant to share information, will Nick Rawlings of

Freemans, the mail order group, says: "This could be huge in the future but until now everything has been done behind the scenes. We don't want to talk about it until things are a bit more worked out."

If it really takes off, body scanning could have anenormous impact on electronic commerce beyond For example, you could see

virtual images of your own body sitting on sofas or walking around houses for sale on the web.

The state of the s 

#### New recycling process for mixed waste plastics

Most existing methods for recycling plastics simply break them down into their original constituents. But collecting and sorting the plastics first is costly, so it is cheaper to isolate the constituent chemicals

The economics of recycling will become more attractive, therefore, if the costs of collection, handling and recycling can be reduced or if the end products are of higher commercial value, writes Edwin Colver.

they say fulfils both these criteria. They report in Angewandte Chemie, a German chemical research publication, on a simple mixed waste plastics into valuable starting materials for chemical

The plastic is placed in a pressurised reactor heated to 170°C and containing oxygen and nitrogen oxide gases. The long carbon backbone of the plastic polymers is attacked by the oxygen, breaking the bonds

materials needed for the manufacture of polyesters and polyamides, such as nylon. Polystyrene, meanwhile, is mainly broken down into benzoic acid and various nitrobenzoic acids. which can be used as intermediates for other.

happens to a styrofoam products off the sides of the

The team also tried placing a mixture of plastics plastics by this system,"

scale, and Penn State University is looking for collaborators. Dr Sen believes the new

### TECHNOLOGY WORTH WATCHING bio-oil called "fast

### produced directly from oil." Ayusman Sen, Penn State:

directly from oil.

Anne Pifer and Ayusman Sen of Penn State University have found a method which process which can transform

and producing smaller molecules. The process breaks down polyethylene into the starting

plastics or in dyes. Dr Sen describes what

coffee cup: "At the end there was absolutely no. plastic left. We just scraped

in their reactor, "Separating solid plastics is hard, but it is very simple to separate the different products produced from mixed says Dr Sen.

The process still has to be investigated on an industrial

process will prove to be successful: "For a large group of plastics, it's

#### superior to any other method I've seen. No other method recycles plastics to make products that can compete with those

### **Bio-oil project**

wins grant A technique that turns biomass, such as trees and crops, into oil has secured a 22m research grant from the

European Commission. A group of companies and universities from the UK, Germany and the Netherlands is trying to find ways to mass produce the "blo-oil" at a realistic price. The process was

developed in the 1980s, but

has never gone into The bio-oil is environmentally friendly as it does not contain much sulphur, it comes from renewable sources; and the carbon dioxide released when it burns is equivalent

to the carbon dioxide absorbed as it grows. The process for making

pyrolysis", involves heating the biomass in the absence of oxygen, at high temperatures. As it decomposes, it generates vapours, aerosols and

#### a dark brown liquid, with a heating value about half that of conventional fuel oil.

The blo-oil could be used for powering dual fuel engines for electricity and for firing boilers which produce heat and electricity. Aston University: UK, tel 121 3593611; fax 121 3594664

#### **New treatment** on bacteria

Researchers at the Weizmann Institute in Israel are experimenting with a novel approach to treating bacterial infections.

The work builds on the discovery that protein fragments, peptides, can attach to a bacterium's surface and dissolve a portion of its membrane. This mechanism, similar to that used by detergents, kills bacteria instantiv. One advantage of this

to develop drug resistance. As its action depends on structure, it does not require

chemical composition, not a good fit to be effective. unwanted adverse reactions because the peptides interact only with the

swift action is that it may

deny the bacteria a chance

negatively charged membranes of bacteria but not with the neutral charges found on the surface of ordinary body cells. Weizmann Institute of Science: Israel, tel 97289343852: e-mail:

approval

stimulates immunity, preventing infection in the developed at Washington University in St Louis, is produced by Megan Health, a vaccine company in St

#### Louis, Missouri, In a recent study of US

poultry farms, no chickens treated with vaccine were contaminated, compared with 10 per cent of the non-vaccinated chickens shinatan Unive

news@wis.weizmann.ac.ii

### **US vaccine**

The US government has approved a vaccine for use n controlling salmonella bacteria in poultry. It is applied by a spray to chicks when they hatch, it growing period. The vaccine,

tel 3147761626; www.meganhealth.com

Harnessing the sun Researchers are trying to harness the heat and light of the sun. A company based in Cambridge, UK, has demonstrated the prototype

> role in meeting energy demands of developing countries. Solargen says its product can produce power at 11

of a small-scale thermal

system which may play a

cents per kilowatt hour. The system uses a fixed, concave mirror to heat the air to 1,000°C. The heated air drives a gas turbine. Solargen Europe: UK. tel 1223 208544; fax 1223

Vanessa Houlder

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#### NOTICE OF MERGER

To: The holders of bonds, notes, warrants, and other securities of Korea Exchange Bank and Korea International Merchant Bank.

NOTICE IS HEREBY GIVEN that, Korea Exchange Bank ("KEB") and Korea International Merchant Bank ("KIMB") have determined that by combining their strengths, they will create an institution even better able to meet the needs of their customers and communities they now serve. In this regard, KEB and KIMB signed a merger agreement on October 16, 1998. In addition, the stareholders of KEB and KIMB approved the proposed merger on November 26, 1998 and it is expected that the proposed merger will be completed by the end of this December and be effective by January 1, 1999,

In an effort to enhance the efficiency of its resources and restructure its subsidiaries. KEB intends to acquire KIMB and merge KIMB's business, which significantly overlaps with some portions of KEB's business. KIMB is one of the five largest merchant banks in Kurea specialising in leasing transactions and short-term financing. It has assets of up to six irillion Korean won and has a BIS ratio of 8.1% as of June 1998. This proposed merger, as part of an overall plan, wil make KEB more internationally competitive by strengthening its financial outlook and maximising its resources. We note that the proposed merger answers the Korean government's policy of making Korean Banks more efficient and more competitive by maximising

As a result of the proposed merger, all of the assets, liabilities, rights and obligations of KIMB will be merged by way of universal succession with those of KEB. Upon completion of the merger, KEB's total assets will amount to sixty-five trillion Korean won and will be the leading bank in Korea, providing financial services in both the merchant banking and the traditional banking areas. Therefore, we believe that this proposed merger, when implemented, will provide a sound furancial and business foo on which our business will grow in the years to come and the rights of creditors of KEB and KIMB will not be affected in any way and will be

fully continued in its current status. We highly appreciate your cooperation, which you have shown in the

past years, and hope that you will provide your continued support to us. KOREA EXCHANGE BANK KOREA INTERNATIONAL MERCHANT BANK

### Merger moves jolt bourses

#### **EUROPEAN OVERVIEW** By Philip Coggan, Markets Editor

The revival of merger merger collapsed - Giba Speactivity helped to jolt European bourses out of their pre-Christmas torpor yesterday, giving a modest lift to

share prices. News of the planned ticals groups Zeneca of the UK and Astra of Sweden, ticals groups Zeneca of the unnounce a tie-up. Shares in UK and Astra of Sweden, which started to leak out Dutch glant rose Ecu 0.2 to late on Tuesday, gave an Ecu 5.11. immediate lift to both com-

THREE MORTH ELIKO FUTURES (LIFTE Earlin points of 100%

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III EURO STYLE FISE EUROTOP 100 MIDEK OPTION (AEXI SEx10 per index point

OTHER INDICES

High 90,560

at Ecu 18.02. The pharmaceu- Eurotop 100 index gained dwindle, attention might-ticals sector was up 2.6 per 24.9 or 1 per cent to 2,601.54, turn to the more thorny cent on the day. while the broader Eurotop
While that deal was being 300 rose 7.65 to 1,123.2. The unveiled, another recent ciality and Clariant of Swit-

zerland said they had broken Just to keep the pot boiling, there were rumours that Shell was about to be the merger between pharmaceu- latest oil company to

which have recently been in

FTSE Ebloc 100, comprising shares in euro member coun-936.33.

Two of the worst sector performances of the day to the FTSE 100 index in London. The disappearance of Nycomed Amersham from the benchmark sent its shares down Ecu 0.1 at Ecu 5.01 and the sector of 2.2 per immediate lift to both com-panies' share prices. Zeneca to the transnational indices, relegation saw its shares fall Ecu 0.4 at Ecu 6.35.

issue of corporate earnings growth in 1999. "Bottom-up analysts expect European corporates to deliver 14-16 tries, inched up 2.93 to per cent earnings growth gist at BT Alex Brown.

"Consensus economists Potent believe Europe will produce Romant 225 per cent GDP growth even this is too high in our view. European stock Sweden returns seem more sensitive to earnings growth than EU many other markets. Any to earnings growth than many other markets. Any disappointment could lead to

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Metional & Regional	Ecu	Day's	Charge.	Yleid	× ×	रिवर्क व्हा
Markets	lodex	<u> </u>	points	pross %	<u>761</u>	(Ecu)
FTSE Eurokop 300 FTSE Eurokop 190	1123.20 2601.54	+0.53 +0.97	+7.55 +24.90	2.44 2.46	25.05 38.97	1156.p8 932.13
FISE Eblec 100	836.53	+0.21	+2.93	2.26	14.94	990.32
FTSE EuroMid FTSE EuroMid Exico	1099.30 1161.32	+0.13 +0.18	+1.48 +2.14	· 2.97 2.54	1.39 0.04	1139.29 1185.39
FISE EuroMid & UK	1158.44	-0.01	-0.15	2.42	0.03	1179.51
FTSE Eurotep 300 Region						
Eurobioc UK	1173.08 1043.05	+0.20 +0.20	+2.30 +10.19	2.16 2.02	21.56 34.25	11 <b>98.0</b> 6 1 <b>094.</b> 01
Europe Ex-Eurobioc	1083.49	+1.21	+12.99	2.76	27.51	1121.43
Europe Ex-UK	1169.52	+0.54	+6.25	2.21	T9.91	1181.30
FISE Eurolop Industry S		-0.00	.0.00	0.00		07C Tr
RESULECES	R38.45	+0.83	+8.88	3.39	29.22	876.79 750.21
Extractive industries Oil, integrated	734,70 811.04	+0.85	+2.57 +6.51	4.65 3.34	14.54 21.73	780.86 830.86
CENTRAL MOUSTNES	1026.58	+0.45	+4.65	2.68	21.29	1048.26
Construction	\$83.69	+1.93	+16.36	3.20	11,06	873.74
Subding Mads & Mercha Chemicals	851.02 803.88	-0.69 -1.13	-5.93 -9.21	2.63 3.01	8.96 17.45	858.37 818.07
Crickiscon Diversified industrials	925.02	+1.33	+12.15	2.56	22.61	946.18
Bectivoic & Bect Equip	944.57 941.06	+1-21 +0.67	+11.33 +6.60	1.75 3.95	5.61 12.32	949.72 851.85
Engineering Paper, Pckg & Printing	763.77	+0.64	+4.89	3.05	1.21	764.72
CONSUMER GOODS	1173.00	+1.86	+19.11	1,50	18.53	1205.25
Automobiles	854.57	-0.22	-1.87	2.67	10.25	862.49
Alcoholic Berezages Food Producers	911.77 924.37	+2.18 +0.03	+19.47 +0.25	2.91 1.65	17.63 11.84	931.26 935.24
Household Goods & Texts	1041.95	+0.63	+6.51	1.81	8.94	1050.85
HealthCart Phormaceolicals	792.63 1058.23	-2.20 +2.59	-17.86 +26.58	1.46 1.22	13.51 · 5.27	804.88 1063.97
Tobacco	1280.51	-1.73	-22.59	3.96	22.77	1304.90
SERVACES	1133,62	+0.65	+7.30	2.09	23,04	1185.27
Distribution	728.93	+0.75	+5.46	2.99	11.37	737.12
Leizure & Roteis Madia	724,63 952,01	-1.98 -0.41	-14.65 -3.88.	3.51 2.40	12.27 10.89	734.11 962.18
Retallers, Food	985.30	+0.22	+2.12	2.07	15.00	1000.34
Retailers, General Telecommunications	985.74 1094.38	+2.10 +1.39	+19.86 +14.98	3.22 1.79	20.46 13.52	985.66 1108.19
Breweries, Pubs & Rests	747_60	-0.03	-0.24	3.85	16.00	760.81
Support Services	\$51.95 \$11.85	+243 -033	+22.58 -8.57	1.54 2.70	<i>9,8</i> 7 18,24	962.05 928.86
Transport Jahrnasion Technology	811.00 807.99	-3.21	-26.78	Q.45	2.33	809.51
ITEITES	1444.67	-0.14	-1.96	3.03	61.60	1531,70
Bectricity	1096.66	+0.57	+7.82	3.18	31.89	1131,80
Gas Cistribution Water	1157.16 1018.12	-2.17 -0.95	-25.63 -9.71	1.59 4.94	93.32 44.83	1274.10 1063.12
FILLICALS	1194.80	+0.35	+4.13	2.74	27.52	1227.07
Banks Retail	B24.47	+0.89	+5.89	3.53	13.20	835.78
insurance	925.02	-0.36	-3.35	1.50	11,79	936,19
Lie insurance	1122,92	+0.55 +1.09	+8.14 +9.13	1.72 2.28	12.98 15.95	1137,50 857,32
				2.28	12.00	431.37
Other Financial prestraent Companies	843.24 949.08	+0.88	+8.29	2.72	25.55	971.83

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TSE Euroblid	1099.30	+0.13	+1.48	2.97	1.38	1138.29	
TSE Burelife Edec	1161,32 1158,44	+0.18 -0.01	+2.14 -0.15	2.54 2.42	0.04 0.03	1165.39 1179.51	_
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K	1043,05	+0.99	+10.19	2.92	34.25	1094.01	
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We are pleased

to announce

a Strategic Alliance and

Co-operation Agreement

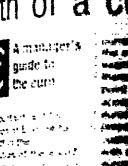
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IRISH COMPANIES

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### but sure conversion for the Irish

not all consumers are ready for an apparent rise in the price of their pint. But in a

of the eleven countries. Not all companies are prepared for the strategic implications of the new currency, and adopting the single currency from January 1, Ireland is the only one: where prices three-year transition period a little chaos is expected, finds John Murray Brown result of the conversion to the suro.

of their pint and newspaper rise in purely nominal terms when pounds are translated tions. The survey also punts. into the new currency. This, of course, will not affect the real price, but if consumers are unprepared they could be shocked, even though the Irish have been enthusiastic gled out as particularly ill-Europeans over the years.

"In Italy and Spain there may be a grand illusion of more money - until people get their wage packets, that is. We on the other hand will have the perception of inflation. I'm not sure which is worse," says Caitriona Murphy, head of Emu planning at Allied Irish Banks, the republic's largest bank. Given the low inflation environment, and the newly environment, and the newly Banks, as the agents of bolstered consumer lobby, conversion, are ahead of the

there is probably less scope for retailers to exploit the situation as some did with decimalisation in the 1960s. But perceptions will be all-important in the single currency's early stages.

A survey in June discov- be stated in Irish pounds. sumers will see the price sition, but only 27 per cent

the likely strategic implicashowed regional disparities, with companies in the wes and border regions less well prepared than elsewhere and the construction sector sinprepared. There are some issues

which are generic to all companies. These include IT compliance, where the issues range from redesigning accounts software to more radical solutions, with business conducted using electronic data transmission. Some may see the cost of upgrading as an opportunity to invest in new equipment.

pack. For example, from January 1. Allied Irish Banks will organise bank statements in two columns, with the Irish pound and euro the foreign exchange risk. equivalent for each entry, though the balance will still tive of Forfas, the strategic tries participating in the

although benefit and other continue to be made in

ne euro.

ered half of all Irish compa - Government departments trial development agency
Unlike countries with intinies had now appointed will also offer to conduct which is heading the infortiple digit currencies, Irish someone to oversee the tran-transactions in euros, mation campaign, says retailers will be "at the forehad conducted an analysis of social welfare payments will front" of communicating the changeover process to con-

"Indeed for many consum

occur when they visit their

local newsagent or grocery

store on or after 1 January

coins will have been intro-

The government has tar-

first, with a general con-

sumer campaign only

launched in May this year

after the bilateral exchange

duced," he says.

'We frankly don't know how many companies will be using the euro over the next year'

David Croughan, IBEC

In the manufacturing sector, the real determinant will ers their first contact with be whether an Irish company has a supply relationship with a multinational that will probably demand store on or after 1 January that it is invoiced in euros. 2002 when euro notes and But equally, Irish companies doing business with the UK, traditionally the biggest trading partner, may put pressure on their UK suppliers to invoice them in euros - so the UK partners take John Travers, chief execu- rates were agreed for coun-

union. An e-mail address for business inquiries has been set up, followed by radio advertising.
Under the so-called "no

compulsion, no prohibition" rubric, it is a matter for compa<u>nies</u> themselves when they start conducting business in euros. But the government's concern is to give companies a target date. We frankly don't know how many companies will be using the euro over the next year," says David Croughan, senior economist at the Irish Business and Employers Confederation.

He argues strongly that a company should not adopt dual pricing for competition reasons, but this should be the result of co-operation between companies. IBEC has had some success persuading the food and drink industry as well as the congeted the business sector struction federation to adopt

start date for their members. Mr Croughan says that for all its long-term benefits the single currency represents a rush headlong to adopt dual

Unlike France and other continental economies, neither debit cards nor so-called "electronic purses" are widely used in Ireland. Together with the personal cheque, these will be the only practical means of using the euro ahead of the introduction of coins and

A big issue will be how to maintain the confidence of the consumer. the companies themselves are the best people to know how to do this," says Mr Croughan. A regulatory or legislative approach, as is happening in Austria, will merely add to costs, he

The retail sector clearly faces a special challenge. For example, Tesco Ireland is already estimating totals in euros on customer cash receipts at its Irish stores. The company is expected to provide dual pricing in up to 10 products simply to familiarise the consumer with the conversion factor.

So-called price points - the rounding up or down of the level at which products are priced - will have to recalcu-



The euro will not change hands in the high street until

LE1.50 will be worth somewhere near E1.83. Does the retailer round it down to E1.75 and take a hit on margins, or round up to E1.59, and compensate the conpackaging?

In some areas, such as metered services like taxis and petrol pumps, it will not

More broadly, the advent degree of chaos."

A product now selling at of price transparency across Europe - long limited to items such as Big Macs and Coca Cola - will change consumer habits, lt will also have an influence on component suppliers across sumer by improving the Europe. Indeed, anything transportable will be

Of one thing Mr Croughan is certain. "Any three-year be possible to display both transition period was always

### Training for the birth of a currency



A manager's guide to the euro'

How important is it for companies in Europe to train staff in the complexities of the euro? Companies with operations in the euro-zone, or doing business with member nations of monetary union. should have trained staff before the birth of the new currency on January 1. Research in the UK, published this week by the Institute of Management, found that less than half of those questioned had started planning for the introduction of the euro. Only four per cent said their businesses were ready for its introduction. of time to prepare, given that euro coins and notes

will not come into circulation in the euro-zone for another three years? The euro will become a tradeable currency from the start of next year, and many companies will quickly switch their invoicing and internal accounting to euros Companies therefore should have drawn up a communications programme and a staff training plan to ensure a broad understanding of company policies and practices. So what sort of things do staff need to know? That will obviously vary. widely, but at a minimum they need to know the basic timetable for the move to the euro, the countries

for their business. They should also have a firm grasp of the implications of the ino compulsion, no prohibition" principle embodied in the Maastricht Treaty, according to Charles Barlow, a senior manager at Arthur Andersen. accountants. This means there will be no compulsion to pay anyone in euros but it also means that, for companies in participating countries, they must be prepared to accept payment in euros.

involved, and what it means

Those who are processing accounts payable and accounts receivable need to have a grounding in the euro scause sooner or later they are doing to see invoices coming across their desk in euros and they must know how to deal with them," he

How should companies get this kind of information across to staff? There are several ways. Marks & Spencer, for example, has produced separate videos for all the participating countries where it has a presence to give staff a general awareness of the issues. "We made the videos separately to take account of different cultures: and styles," it says. The company has also run an exhibition at its head office and published articles on the euro in its internal magazines to maintain what; it calls "a constant drip feed of information More specific training will depend on individual

Rank III.

companies' involvement with the euro. Retailers, for example, are equipping themselves gradually with point of sale software to accept cash transactions in euros, but they must be prepared from January 1 for customers who want to pay with a cheque made out in euros.

Aren't there bound to be teething troubles? Inevitably, which is why some companies have appointed euro experts or information desks on call to staff to deal with unforeseen

problems. What about internal issues? Suppose an employee in our Bruss office decides he wants to be paid in euros? Your wages staff can quote the "no compulsion" principle again. This is going to be a handy little phrase

but more progressive companies might be wise to use it sparingly. One way to prepare staff for the changes may be to quote salaries in euros alongside the national legacy currency. Could I get away without. training?

To some extent you could, if you're a small company in a European country not participating in the monetary union, such as Sweden, Switzerland or the UK. But think about your reputation. How will the customer react when he is met with a blank response from your employees? This is the response received by consultants from Arthur Andersen in the UK a while back when they telephoned businesses with a query about the euro. Typical responses were: "It's theoretical", "it's not going to happen," and "You'd better speak to my boss about it."

OK, so there's some ignorance, but it's hardly a matter of life and death. Not yet, but there is strong anecdotal evidence that some companies, particularly those in countries like Spain, are seeking to exploit the euro as a way of leapfrogging their competitors. Prices are going to be transparent and

comparable.
The same will apply to will need to be ready with explanations for staff in France, for example, who may wonder why they are paid less than employees doing the same job in Germany.

I still don't see the need to It's about planning rather than rushing. One idea for staff preparation from the Economist Intelligence Unit is to put together a checklist for training managers: Prepare a timetable of euro-awareness and an

education and training plan. Identify and make available sources of information on Emu. Consider setting up an information desk. Decide the scope of an awareness campaign and which media to use. Identify specific training requirements and make sure they are scheduled, costed

Richard Donkin

and adequately resourced...

### DELIVERING IN EUROPE

RHEINHYP

Rhemische Hypothekenbank AG

RHEINHYP SIL

Rheinische Hypothekenbank

EURO 250 million FRN

due 18 Aug 2000

Sole Bookrunner

July 1998

SNS Bank Nederland N.V.

**SNS:Financial Markets** 

EURO 300 million FRN

Joint Bookgunne

November 1998

Allgemeine HypothekenBank AG

ALLGEMEINE HYPOTHEKEN BANKAG

A company of BHW-group

**EURO 500 million FRN** 

due 21 July 2000

Sole Bookrunner

June 1998

due 12 August 2003

Sole Bookrunner November 1998

Credit Commercial de France

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GENERALITAT VALENCIANA

due 19 November 2001

EURO 300 million FRN .,



EURO 200 million FRN due 8 July 2002

> Joint Bookrunner June 1998

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EURO 350 million FRN due 24 June 2003

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June 1998

Bancaja International Finance

Landeskreditbank Baden -

Württemberg

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EURO 500 million 4.625% bonds

due 29 July 2005

Joint Bookrunner

July 1998

BANCAIA

EURO 130 million FRN due 1 June 2005 Sole Bookrunner

May 1998

Landesbank ig-Holstein Giroz

EURO 250 million 4.625% bonds due 28 May 2002 Sole Bookrunner May 1998

Finance for Danish Industry A/S

EURO 150 million FRN due 27 May 2003 Joint-Bookrunner

April 1998

Kingdom of Spain

EURO 1 billion 6% bonds due 31 January 2029

Joint Bookrunner February 1998

**Abbey National** Treasury Services pic NATIONAL

ECU 300 million 4.5% bonds due 3 August 2001 Sole Bookrunner

January 1998

. Much has been written about the challenges of dealing with the new Europe. At Bardays Capital we have always known what it would take to succeed. If we applied our US\$416 billion balance sheet, our AA credit rating and our ability to devise and execute focused integrated solutions for our clients, then the deals would come through. And they have. Since January 1998, Bardays Capital has lead-managed 117 bond issues totalling some US\$30.6 billion, including 13 EURO deals worth EURO 2.7 billion. Bardays Capital is a leading underwriter of Euro FRNS." At Barclays Capital we believe in pushing back the frontiers.

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### US Treasuries lead Europe higher

**GOVERNMENT BONDS** By Arkady Ostrovsky and Moffat Ekoriko in London and John Labate in New York

European government bond markets rallied vesterday taking a lead from strong performance in the US. The surge was holstered by the growing view that inflation has further to fall in most of the leading economies.

In New York, the yield on the 30-year US Treasury fell below the 5 per cent level for the first time since the height of the financial turmoil in early October. In the UK cash market, the yield on the 10-year gilt slid to 4.50 per cent - the lowest level since the late 1950s.

The March future on the 10-year German bund settled 70 basis points higher at said David Knott, at Deut-116.37. The March contract on the UK gilt rose 0.58 to 118.44 in anticipation of an interest rate cut today by the Bank of England which analysts expect to be as

In continental Europe, the combination of a rally at the long-end of the maturity curve and the absence of movement at the short-end is leading to a flatter curve. say analysts.

much as 50 basis points.

This view is underpinned by the continued reduction in inflation expectations for the euro-zone.

"We are operating in the world where inflation is perceived not to be a problem. Knight said.

and the risk attached to debt has fallen substantially." sche Bank.

Mr Knott added that real yields remained high. Other analysts predicted that yields could fall much further. He said that recent experience in the US demonstrated that strong economic growth was not incompatible with falling bond yields as long as signs of inflation were absent,

"We must differentiate between a good deflationary trend - a decline in finished goods prices - and a bad deflationary trend - a decline in asset prices. What we are seeing in the US is a good deflationary trend," Mr

Mark Cliffe, at ING Barbond, the benchmark for ings, said that another realong-term US interest rates, son behind the bond market rally was than many institutional investors had decided to "park" their money in the safe area of the government bonds market ahead of the launch of the euro next

European and the U\$ bonds were also helped by the weakness of the Japanese market, where JGB prices fell sharply. The March contract on the

10-year JGB fell by more than a full point to 134.98 in London. US Treasuries were higher in midday trading after the release of stronger than

expected current account

deficit figures.

rose % to 104ft, sending the yield lower to 4.971 per cent. Shorter-term issues also gained ground. The 10-year note was # higher at 101%. yielding 4.548 per cent and the two-year note was up & to 100H, yielding 4.407 per

The 30-year Treasury

The US current account deficit widened to \$61.3bn in the third quarter from \$56.7bn in the previous quarter. Analysis say the yield on the 30-year US Treasury could fall further to 4.75 per cent. Glen Davies at Credit Lyonnais said: "Bond investors are catching up with the idea that inflation is going to be low."

### Redemption crisis looms for Japanese convertibles

Bonds exchangeable into shares seemed a good idea but now most of them are 'under water', says Naoko Nakamae

apan's ailing companies are set to face another painful blow in the coming months as they are forced to redeem bonds that investors have failed to convert into shares.

Analysts say the problem, which could affect up to Y2,400bn worth of convertible bonds, has already sparked growing alarm at the Ministry of Finance. Last month the stateowned Japan Development

Bank indicated that it might extend loans to help companies overcome the problem. However, this is expected to provide only limited relief, given the scale of the problems haunting Japan's weaker companies as their traditional sources of

inance evaporate. Most of the bonds were issued in the late 1980s and early 1990s by companies looking to lower interest payments on their debt by offering investors the option to convert their bonds into stocks at a preset price. At the time, optimism was

high – few thought the economy would fall so deeply into the mire. However, as the bench-

mark Nikkei index continued its slide (it is currently languishing at less than half its value at the end of 1989), almost all the convertible bonds maturing next March are "under water" - where the conversion price is above the current share price. Not surprisingly, only a

handful of investors have converted their bonds into stocks. Roughly 80 per cent of con-

vertible bonds maturing at the end of March have stock the capital markets.

prices less than half their conversion levels, according to a report by Takafumi Sasaki, analyst at Nikko Research Centre in Tokyo. - For example, Sega Enter-

prises, which issued Y20bn worth of convertible bonds in 1992, has seen its stock price fall to less than a third of the Y8,548.1 conversion price it set in April 1993. Only 0.5 per cent of its investors had exercised their conversion option by the end of October.

Even convertible bonds issued by AA-rated companies such as Toshiba (which has some Y149bn maturing in March) are under water. Toshiba's share price is 47 per cent lower than the conversion price it set in 1989. Again, less than 1 per cent of

its convertible bonds have been converted into equities. Therefore, in less than four months, these companies will have to repay, or refinance, their debt and repayment will put a further strain on already fragile bal-

ance sheets. Moreover, refinancing will be difficult for many. Increasingly risk-averse banks are less willing to weak companies.

lso, while domestic corporate issuance has Hreached new records this year, the corporate bond market is also showing increasing signs of heightened risk-awareness, which has resulted in a sharp polarisation of credit.

In stark contrast to companies with high credit ratings, low-rated companies are being virtually shut out of

Unfortunately, roughly Y753bn of the convertible. bonds maturing in March were issued by companies with credit ratings of BBB or worse, according to Mr Sasaki's report. Many are already struggling to enhance their liquidity ahead of redemption dead-

Nissan Diesel, the troubled Japanese truckmaker which issued Y25bn worth of convertible bonds in 1989, has seen its stock price plummet to less than a fifth of its conversion price.

o bonds have been converted, so the company, which has suffered heavy losses from plunging sales, has started to build up its cash reserves to pay back the full amount at the end of March. With its junk bond status, it will find it extremely difficult to raise funds in the capital market. Nissan Diesel said it would

be redeeming the bonds using new loans from a wide range of banks, but admitted that the proportion of loans from state-owned financial institutions had increased. Another borrower, Fujita,

the ailing construction company, admitted it was facing a tough situation.

Also having junk bond status, and with some Y28bn of convertible bonds outstanding, the company said it was not in a position to refinance its debt through the capital markets.

A spokesman said that Fujita would be receiving help from Sakura Bank and Tokai Bank, should the company face a shortage of

eatives

BASE LENDING RATES

超似色 植 电 BRE CROSS RATES

### China increases global issue to \$1bn

III US DOLLARS

INTERNATIONAL BONDS By Vincent Boland

China vesterday increased its benchmark global issue to \$1bn, pricing the bonds to yield 280 basis points over 10-year US Treasuries.

At \$1bn. up from \$500m. the issue was still 60 to 70 per cent oversubscribed, according to bankers at Goldman Sachs, joint lead manager with Credit Suisse First Boston.

The bonds were China's first in dollars since October last year, when a \$400m fiveyear issue coincided with a sharp deterioration in sentiment towards emerging market paper. 'China doesn't need the

money," a Goldman banker said. "This was an opportu- into the fixed-rate market nity to create a benchmark since 1995 with a DM500m. for other Chinese borrowers seven-year issue priced to to follow and to get a mes-

Chinese officials had been outlining details of the gov- the German market, which ernment's reform pro- accounted for about 85 per gramme during investor pre-

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

the bonds were designed to differentiate China from other Asian borrowers.

Liqun Jin, vice-finance minister, said China wanted to keep a conservative debt profile and it was "very important for us to maintain China's presence in international financial markets".

Goldman said the bonds were split roughly equally among Asian, European and US buyers. But some observers said the spread appeared not to take account of growing doubts about the sustainability of the country's economic growth. "China seems to have got what it wanted. but let's see how the bonds do in the secondary market," one banker said.

The National Bank of Hungary made its first foray yield 100 basis points over the comparable bund.

The bonds were aimed at cent of the book, according sentations, and bankers said to a banker at Deutsche **ED-MARKS** National Bank of Huno 99.81R Dec 2005 0.375R +100/Oct 05 Beverische L8/Deutsch III SWISS FRANCS oublic of Italy E EUROS(e)

rench covt Ecu bonds, s) Short 1st coupon Bank, joint lead with Bayer-

accrued interest, b) Fungible with \$150m plus 24 days accrued interest, c) ( Fx 0.50989 E/DM, Callable from 22/12/01 subject to 130% hurdle, e) Pey

New international bond issues

ische Landesbank. "Hungary has a strong retail following in Germany and this was its first opportunity to buy fixed-rate paper from that source for three years," the banker said. NBH has issued yankee and floating-rate paper more recently, but these are not retail products. The bonds were holding their spread in

**BOND FUTURES AND OPTIONS** 

late secondary trading.

The Republic of Italy also buyers, with some central targeted retail investors with a SFr1.5bn, 1114-year issue priced to vield 59 basis points over the underlying Swiss government bond. CSFB, lead manager, said Italy's aim was to establish a yield curve for its Swiss franc-denominated paper,

which already includes

Interest in the offering

was primarily from Swiss

issues at five and 10 years.

banks also coming in. "There is a shortage of top quality names at the long end, and this sets a benchmark for the borrower,' CSFB said. Deutsche Bank closed its exchangeable issue at

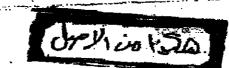
E1.8bn, priced to give a conversion premium of 32 per cent into underlying shares of Allianz, the German insurance group.

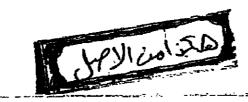
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e e	Open 109,43	Sett price 108.66	Change +0.03	High 109.43	Love 108.58	Est. vol 19,477	Open int. 133,126
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US CORPORATE BONDS  *** Fig.***   18	Open Setterine Change High Low Est. vol. Open int.	Red S&P Bid Bid chige chige v Dec 9 date Coupon Reting pairs yil yil yil Gunts	•
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## BIRDLEAM  ## STATE   1.50	Pac Bel 07/02 7.25 AA- 106.3225 5.27 -0.07 -0.23 +0.88 NY Tel 08/25 7.00 A+ 102.1758 6.82 -0.04 -0.23 +1.83	Abbey Nat 02/04 6.000 AA 110.6100 3.71 -0.06 -0.40 +0.26 Cred Roncier 02/04 9.125 A 123.8400 9.94 -0.06 -0.99 +0.49	_
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Digital Note   Colin   201	WMX Tech 0499 6.25 888+ 100,0804 5.90 -0.07 -8.49 +1.56	EBS 12/07 7.625 AAA 117.2071 5.18 -0.08 -0.38 +0.70	
## COUNTY   1.00	Dayton Hoxl 05/21 9.70 A- 136.8631 6.54 -0.05 -0.59 +1.55	British Sas 03/00 7.625 A+ 101.9709 5.96 +0.02 -0.32 +0.93 Abbey Mat FRM 02/02 7.136 AA 100.1632 4.730.34 +0.14	
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The column   1	FFC8 06/06 8.95 N/A 128.4450 5.18 -0.08 -0.47 +0.54	Quebec 01/07 7.000 A+ 108.9825 5.65 -0.07 -0.20 +1.17 Cilicorp FRN 02/04 5.312 A+ 95.3885 6.36 -0.06 -0.24 +1.96	
Second Second Price and Price and Provided Second	AK S8 12/01 9.13 28- 104.0000 0.00	Bayer L-Bit 08/04 8.500 AAA 120.2502 5.26 -0.07 -0.34 +0.19 Termino 05/04 8.500 AA+ 114.7571 5.30 -0.07 -0.24 +0.23	
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The part of the part   The part of the	Letest Treasury BBs and Bond Yolds  One ments - Two year - 441	World Bank 03/02 5.250 AAA 115.2834 0.52 +0.07 +0.17 -0.26 Spain 03/02 5.750 AA 118.6488 0.60 +0.04 +0.180.18	
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CURRENCIES & MONEY

### Second-tier Europe takes the stage

MARKETS REPORT

By Alan Beattie

Nanko h with end-of-year markets approaching Saharan liquid-Naoko Nakana ity levels, and trading in the big currencies stalled ahead of the Bank of England's decision on interest rates today. European fringe cur-rencies enjoyed a brief turn in the limelight yesterday. Interest rate cuts in Greece and Poland high-lighted their desire to clam-ber aboard the European

> ations on the day. Meanwhile further falls in the Norwegian krone showed that when oil prices drop through the floor, being a petrocurrency in an oil-im-porting continent is not nec-

essarily a blessing. The Greek and Polish rate cuts were largely anticisted, and having fallen newhat on the rumour

both currencies strength- yield," he said. ened on the fact. 3.4840 zlotys against the dollar, while the drachma closed at Dr279.600, up from

Dr280.345 on Tuesday.

"The Greek interest rate cut was mainly done with European monetary union (EMU) in mind," said Jeffrey Woodruff, foreign exchange strategist at BankBoston in London.

"And the fact that the drachma rose after the movement showed the market thinks Greece is serious bandwagon, and both were about joining, and does not want to be seen in the same rewarded with small apprecilight as Italy a few years ago," he added. "The drachma rose because confidence in Greek macro stability outweighed the lower.

SPOT FORWARD AGAINST THE POUND

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Elsewhere in Europe the The Polish zloty rose to Rungarian forint also nudged up against the dollar, finishing at Ft217.65 compared with Ft217.78 at Tuesday's close.

"Hungary is the next eastern European contender to join EMU after the Czech Republic and Poland," said Mr Woodruff. "But it will take longer, because Hunthe necessary medicine," he added.

Rock-bottom oil prices and softer currencles in its Scandinavian neighbours have helped to push the Norwegian krone lower against the D.Mark in recent days, leading to speculation that the central bank may abandon its currency target.

Yesterday the krone fell to NKr2.808 against the D-Mark by the end of trading hours The Norwegian central

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vention over the past 5-6 weeks, the currency has remained stubbornly below its former target, falling from around 108 last Friday

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Falling oil prices and close trading partners, particularly Sweden, bave pointed towards a gloomy future for the currency.

"It is difficult for the Norwegian central bank to dampen the impact of such a large fall in the oil price," said Oystein Stephansen of Skandinaviska Enskilda Banken in Oslo. "When oil prices hit a 12-year low, the krone is bound to come under pressure," he added.

The currency's weakness

has reawakened the debate over whether the central bank should adopt an inflavalue of the krone. An official target range of 103-105 doned in August, and since then the currency has OTHER CURRENCIES

remained under pressure. But despite heavy inter-Hongary Izan Kuwaz Pera Potand Rotto U.A.E.

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Forex, Futures & Options

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depreciations among its thought that this would not materialise to solve the central bank's problem in the near future.

"I do not think that politi cians are discussing this [inflation target] at the moment. And even if they are, it is not influencing the central bank," he said. ■ Only the dollar-yen rate

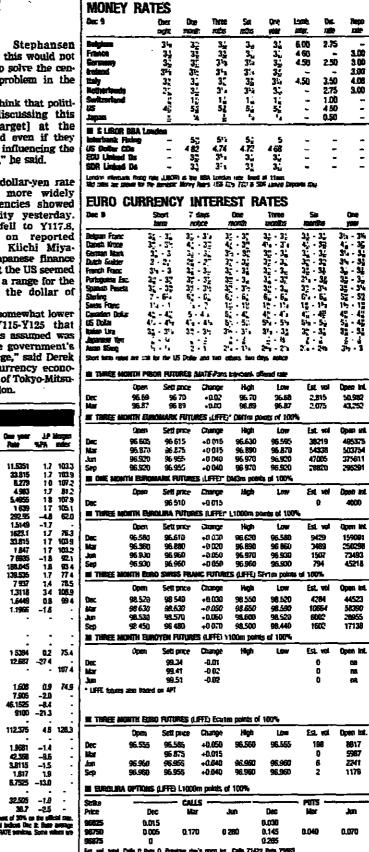
out of the more widely traded currencies showed much activity yesterday. The dollar fell to Y117.8, apparently on reported remarks by Kiichi Miyazawa, the Japanese finance minister, that the US seemed content with a range for the yen against the dollar of Y110-Y120.

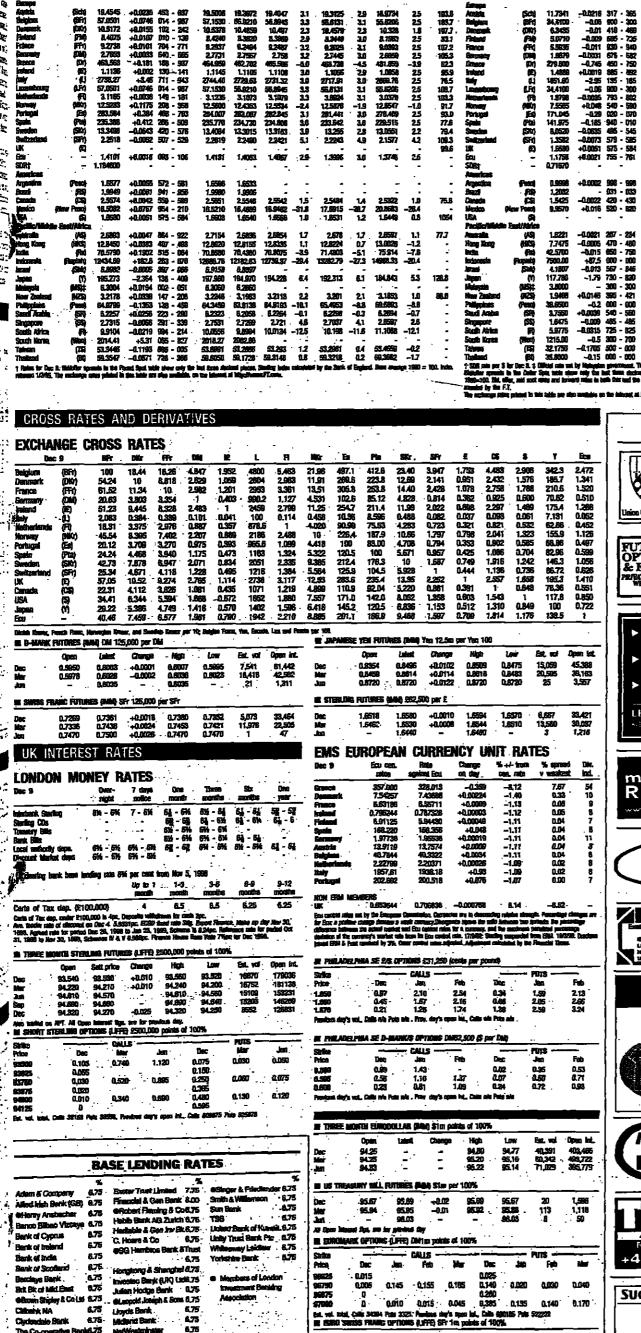
most analysts assumed was the Japanese government's preferred range," said Derek Halpenny, currency econo mist at Bank of Tokyo-Mitsu

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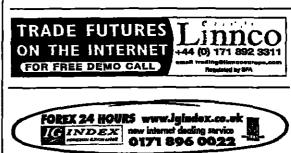
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ALL FUTURES, OPTIONS & MARGINED FOREX







15 1

### India expects Price cuts for coking coal agreed bumper crop of cotton

west Indian state of Mahar-

225,000 bales at 2.7m bales

and Madhya Pradesh up

As the new crop is reach-

ing the market in large volumes of 95,000 to 100,000

bales a day, cotton prices have started falling. The tex-

tile ministry has told the

Cotton Corporation of India,

a government procurement

agency, to buy enough cot-

India, which exported

350,000 bales last year, is

likely to sell larger volumes

of cotton abroad this season

so that the end-season stocks

Trade officials say the gov-

ernment must be open to

releasing cotton for export

as demand from the reces

sion-hit textile industry will

remain unchanged at 14.4m

bales against more than 15m

However, the industry

does not want the govern-

ment to release large export

quotas yet. The total con-

sumption by the non-mill

sector and small-scale units

will be 1.65m bales. The total

availability of cotton will be

20.5m bales, including the

current season's opening

Growers' organisations are

concerned that if the bumper

crop hits prices, there will be

a large-scale diversion of

Meanwhile, futures trad-

ing in cotton began in India

last week after 32 years. Pro-

moted by the Bombay-based

East India Cotton Associa-

tion, the exchange, equipped

with screen-based trading,

Precious Metals continued

THE GOLD COMEX (100 Tray az.: \$/troy az.)

will allow price-discovery at

stocks of 3m bales.

land to other crops.

bales in 1996-97.

ton to support prices.

300,000 bales at 2m bales.

By Kunai Bose in Calcutta

30

ashtra, the crop is up 1.15m India, the world's third bales to 3.2m bales. This largest producer of cotton, is state has the largest area expected to harvest a bumunder cotton but productivper crop of 17.5m bales of ity is low because of poor 170kg in the current season agricultural practices. Andhra Pradesh is up

which began in October. The Cotton Advisory Board's first estimate for the season is 16.875m bales of pressed cotton and 625,000 bales of loose cotton.

Last year, the board, which represents industry, trade and the government. estimated the 1997-98 crop at 16.9m bales, revised it to 14.8m bales and finally arrived at 15.8m bales.

There is no final figure for the Indian crop as yet," said Anil Jain, chairman of Indo Count Industries. a leading yarn manufacturer. Most of this year's crop is still standing in the field and we have reports of several areas in the north Indian states of Punjab, Haryana and Rajasthan being hit by boll-worm and leaf curl virus. Some crops will be damaged, but we can't estimate the loss at this stage."

Mr Jain said CAB had made the first estimate by reconciling the industry's crop forecast of 16.4m bales of pressed cotton, the trade's 16.9m bales and the government's 16.775m bales.

"Our crop monitoring system being flawed, every group represented in CAB will be revising the crop estimate as the season progresses," he said.

Although the Punjab has turned over some of its land under cotton to rice and other crops because they fetch a better price in that state, the area under cotton in India is up 283,000 hectares to 9.151m hectares.

Gujarat, India's largest cotton producing centre, is lifting production by 300,000 bales to 4.5m bales. In the

The first of the 1999 big coal contracts was settled in Tokyo yesterday with a cut of 39 a tonne agreed between the big Japanese steel mills and some of their overseas suppliers. The cut is likely to spread to all coking coal prices struck in Asia and will affect settlements with European mills.

The prices, agreed with Shell Coal, MIM and North

Coal, will bring the price of Australia's prime hard coking coals down to about \$41 a tonne FOB loading port.

It has long been accepted that there would be cuts for 1999 deliveries (the agreements in Japan stretch from April 1999 to the end of March 2000) because of a collapse in steel production in Japan and falling world demand and prices.

However, a \$9 fall was at Goonyella from Australia the lower end of producers' for the past year.

and with Canada's Fording expectations. The tonnage element in the contracts is also likely to be cut by up to 30 per cent.

These cuts come at a time when new coking coal capacity is being opened by in Queensland, backed by Shell Coal, Portman Mining and, in a big development by Rio Tinto at Hail Creek. Rio Tinto has also purchased from Arco the large Gordonstone mine in Queensland that has been strike-bound

Australia, the US is the other big supplier of coking coal to world steel mills. Few US mines can absorb price cuts at this level and a big withdrawal of US tonnage from the European and

Asian markets is expected. Steam coal contract settlements with the Japanese power companies also face big cuts from their current \$34.50 FOB for Australian supplies. Although they are not expected to sink as low

Apart from Canada and as Australian spot prices, which are about \$21.50, millions of dollars are going to be wiped off coal export revenues in the next 12 months. European prices are also

weak. Levels from South Africa, the main supply source, have fallen below \$25 a tonne for steam coal, with little sign of recovery. Perversely, international trade for steam coal is seeing its perennial growth with more than 310m tonnes expected to be traded in 1999.

#### Report from Gulf council lifts oil

MARKETS REPORT By Paul Solman

World oil prices opened higher yesterday after members of the Gulf Co-operation Council said they would support extending production cuts to stabilise the market. The move comes after last month's decision by the

Organisation of Petroleum Exporting Countries to delay further cuts until March at the earliest. Opec agreed cuts of 2.6m barrels a day this year.

GCC the However, announcement was offset by comments from Hugo Chávaz, Venezuela's presi dent-elect, that he did not foresee new output cuts.

Benchmark Brent crude for January delivery rose of London's International Petroleum Exchange, reach ing \$10.33 a barrel agains Tuesday's close of \$10.11. However, in late trading, it had dropped to \$10.10. On Monday, it fell below \$10 for the first time since 1986.

On the London Metal Exchange, three-month copper recovered a little from its recent 1114-year lows. At the close, the contract was \$1,516 a tonne against Tuesday's close of \$1,513. Nickel also rose, ending \$20 higher at \$3.845 a tonne.

The International Sugar Organisation published its latest market outlook, forecasting a global production surplus of 1.1m tonnes for the 1998-99 crop year. That figure compares with other estimates of 2m-3m, though) the US Department of Agr culture surprised analyst two weeks ago by suggesting the market could see a sup-

ply deficit of 1m tonnes. March white sugar futures were \$242.50 a tonne in late trading on the London International Financial Futures and Options Exchange yesterday, against Tuesday's close of \$244.60.

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### Ugandan fishermen offered new catch

Fish stocks have plummeted but palm oil may not be a better bet, says John Madeley

e fishermen who earn their living from small boats off Bugala Island. near the Ugandan shores of Lake Victoria, have seen catches fall in the past 20 years by up to 80 per cent.

One cause is all too visible water hyacinth. In the past 10 years, this has formed huge mats that block out light and reduce oxygen for fish, Also, Lake Victoria has become an open sewer, with large quantities of waste being dumped into the water by industry, agriculture and settlements on its shores.

To maximise catches, the island's 1,700 fishermen who make up a sizeable proportion of its population use fine nets, which means many fish are caught too young, only adding to the ong-term problems.

Under an ambitious \$60m egetable Oil Development Project, the fishermen will now have an opportunity to diversify into agriculture. "We want fishermen to

continue fishing, but also to recognise there is land on the island that is fertile, says Frederick Mukisa, min-The project plans to allo-

cate 3,500 hectares of shrub

GRAINS AND OIL SEEDS

WHEAT LIFFE (100 leaner & per lanne)

land on Bugala to Ugandan people in one-hectare plots for them to plant oil palms. Another 1,000 hectares will form a "nucleus estate". operated by Uganda Oil Palm Company, a private company that will process the oil. A small percentage of the company's shares will be offered to participating smallholders. A further 5,000 hectares will be planted with oil palms in western Uganda.

Launched in October, the project should help the Ugandan government reduce imports of vegetable oil of about \$50m a year. Twothirds of the imports are palm oil, and the government hopes \$20m can be knocked off the bill. Local farmers and fisher-

men as well as people on mainland Uganda, should be among the new smallholders and will be given legal title to their hectare of land. But the cost and the long-term nature of oil palm planting may act as a deterrent. Smallholders will have to

SOFTS

1.303

clear the land and plant and maintain the palm saplings which will cost them an estimated \$840 before they harvest their first oil fruit, some

III COCGA LIFFE (10 tonnes: Sf



Water injectnth has choked Lake Victoria's shores and oil palms could make things worse

As annual incomes on Bugala island are only about \$300, most smallholders will have to borrow money and incur debts three times the size of their income. The UN's international Fund for Agricultural Development (Ifad) has provided a loan of \$20m for the project, partly to provide credit.

onnie Masaba, a project official, says: "Oil palms were chosen because they grow well on the island." A pilot project under way for several years has yielded encouraging

Ifad estimates that smallholder incomes should ultimately be between 1m and Ugandan shillings (\$770-\$923) a year, a substantial increase on existing

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1433 6,434 39,891 1454 1,860 13,350 1485 857 4,011 1502 22 3,951

1860 2,215 18,189 1892 1,885 16,862 1856 641 6,524 1641 21 1,416 1833 28 609 1600 49 253

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Feb Mar May Jul Jul Total

palm oil processing could incomes from farming or fishing. But much depends further pollute the lake. on whether the price of palm oil holds up. another fertiliser for the water hyacinth," warns After five years the aver-

age smallholder in the me would have accumulated a debt of \$1,697 in loans and accumulated interest cessing technology would charges, says Ifad, which has to be repaid over seven material processing, efficient years, commencing in the sixth year after planting. It will therefore be 12

years before the smallholders get the full benefit. Annual debt repayments will be \$408, says Ifad. But while the size of the debt is certain, the future price of palm oil is unknown and returns

may be lower than predicted. For Lake Victoria's fisheries, the oil palm project could add to the problems. in particular, residues from

MEAT AND LIVESTOCK

MI LIVE CATTLE CME (40,890ths; cantafina)

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71) 359 1292

"The residues could act as

Brian O'Riordan, a fisheries

expert. However. Gary

Howe, an Ifad director in

Africa, said the palm oil pro-

combine "efficiency of raw

energy considerations as

well as efficient and safe

help to lessen Bugala

Island's dependence on the

fisheries sector, few fisher

men seem likely to take the

risk of diversifying. Rather,

they will continue to depend

on a lake that is itself in dire

need of investment to pro-

tect and rejuvenate its

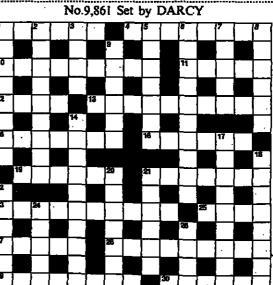
JOTTER PAD

While the project should

effluent disposal".

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#### CROSSWORD



1 One rather chirpy bounder infiltrates agents' organisa

10 Let's Alice have a makedown, could drive Olive to

12 Finally understand need for a small branch (4) 13 Protection from sun giving them help, if worried about it (4,6) 15 I may include German illustrations (7) Close to admitting of

strong denial (2.4) 19 Exhausted possibility of time-travel? (8.8) 21 Strictly religious woman involved in word-play (7) 23 About to dodge back after school and arrange new 25 Develop good argument (4)

27 Coverage of vital statistics may be quite smart after 1 28 I had clean ingredients for Mexican dish (9) 29 The soft option in a 18 (8) 30 Allow old prince to be

Turn up with dog that could be a 18 (8) Try to get on with 25 (9) 3 A little 26 going into 4 with 29 to make a 18? (4) incomplete clue for a swim-

as a means to 2 natives? Manx oddly missed where it was spoken, in principle Form a liking for tation in Tate. OK? (4.2)

Fabric used in home improvements, perhaps with German lining (6) 14 The spring thing in Paris new and apt (4-6) 17 Consequences of looking for class in America? (9) 18 Missile deployed during cold war? (8)

Version of Götterdämmerung is a welcome surprise identifying mansion (6)

22 Heard to show resentment concerning a wedding (6) 24 Second eleven maybe needed some energy (5) 26 Cordial farewell for last couple of Brits? (4)

Solution 9,860



COMMODITIES PRICES **BASE METALS** LONDON METAL EXCHANGE 1256.5-7.5 1253-3.5

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COME INTEREST and Valuese disks about its come

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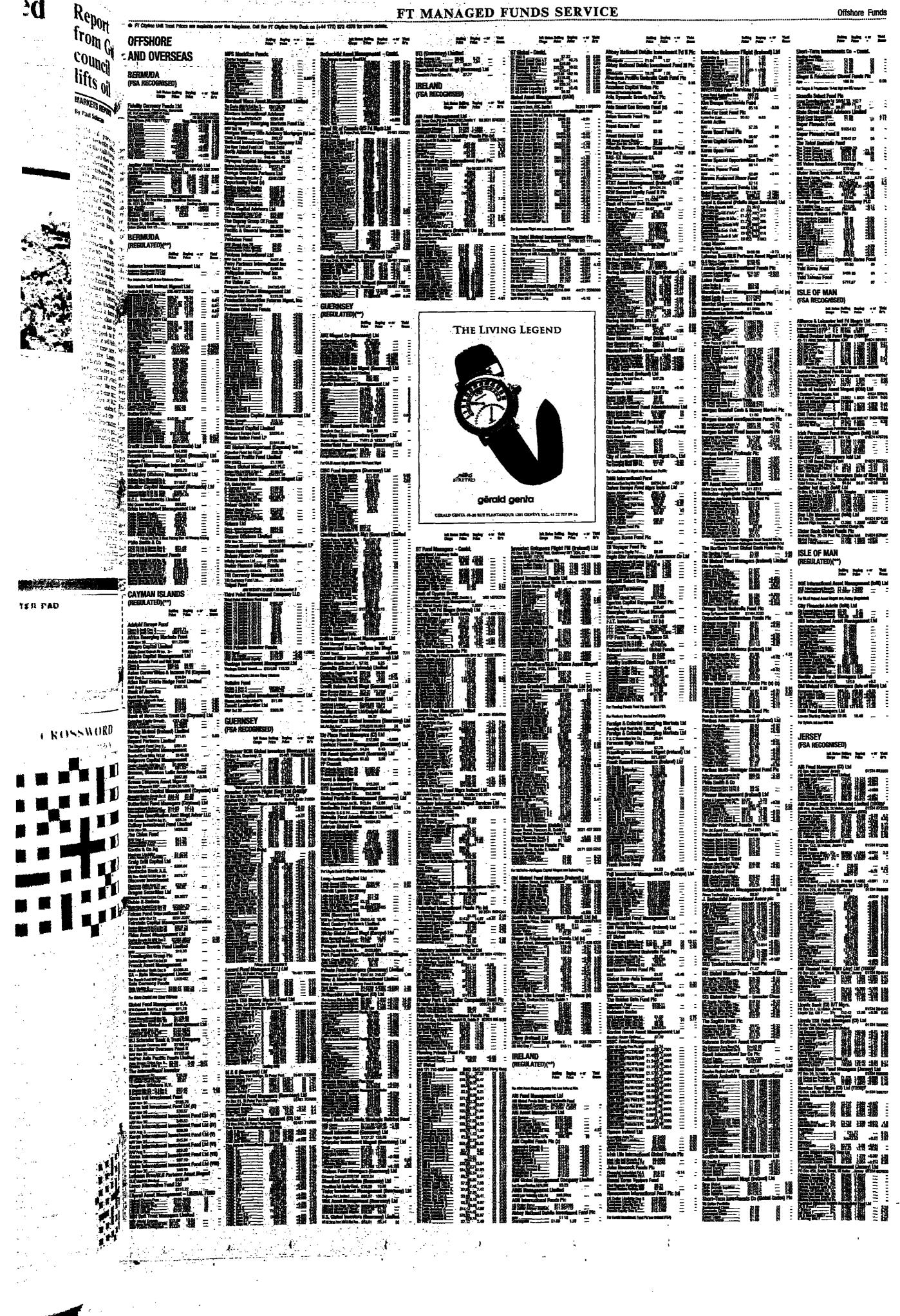
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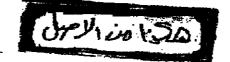


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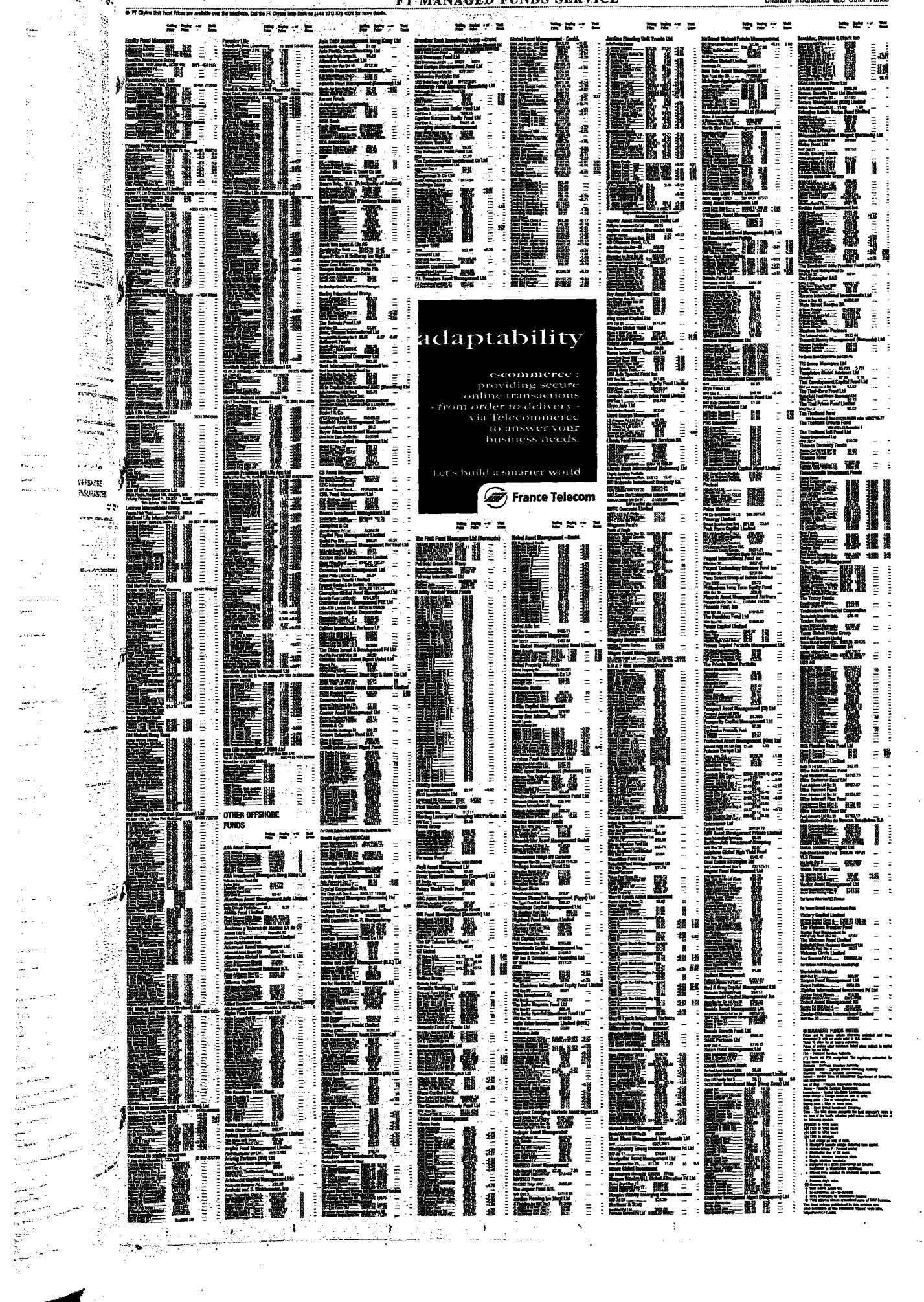
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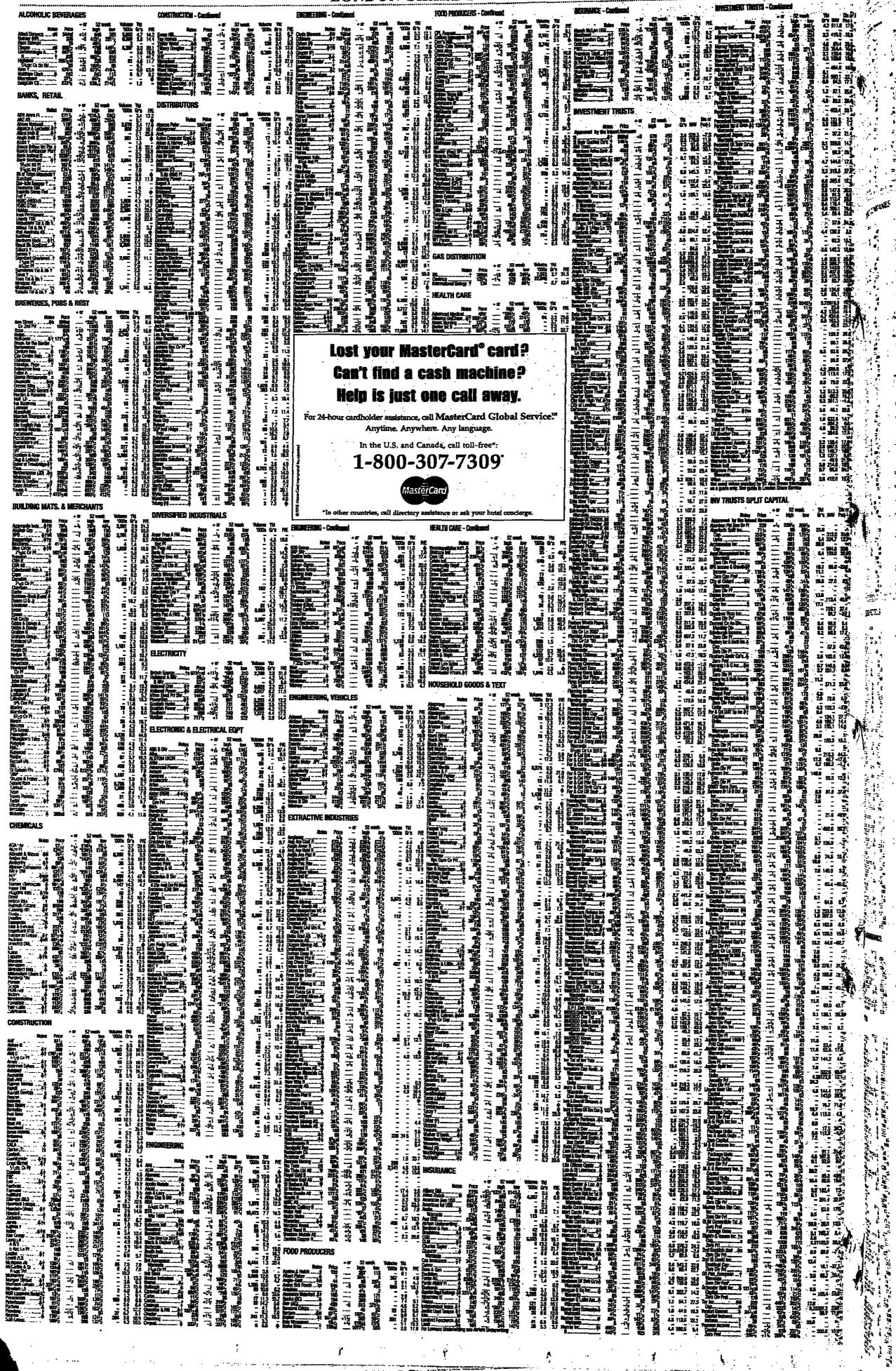
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### Bid rumours and hopes of rate cut boost Footsie

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market, already lifted by confirmation of the Zeneca/Astra merger, which brought an alliance between British end to one of the stock market's longest running takeover rumours, was buzzing late yesterday as a flurry of bid stories flashed around dealing rooms.

The latest rumours encomthe biggest names on the

involved in merger discussions with any number of the US oil majors, including Chevron, Texaco and Conoco, while there were strong hints that the much-mooted Aerospace and Dasa, the Daimler/Chrysler defence business, would be confirmed in the near future.

Oil specialists were generally sceptical of the Shell stories, which they said were passed the oil and aerospace being prompted by the sectors and featured two of recent spate of oil deals, including the link-ups London market, Shell between BP and Amoco and

pared to dismiss the Aero- taken as read with only the space story.

And the beleaguered retail ers said the buils were sector saw one of its former looking for 75 basis points or leading lights, Sears, race more and that there could higher again in response to well be some disappointment renewed suggestions that a with a minimum cut of 25 300p a share bid has been basis points. tabled for the company.

The equity market was also being sustained by continuing expectations of exaggerated takeover another cut in domestic interest rates today, following the latest meeting of the Bank of England's monetary policy committee. A reduction in rates,

At the close, the FTSE 100 was 53.4 higher at 5,669.1, well off the session high of

cut in rates.

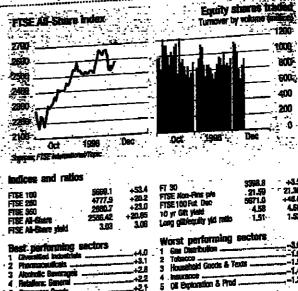
and British Aerospace. Exxon and Mobil. But there which would be the third in 5,691.7, up 76.0, but 119.3 by more profit warnings and The former was said to be were few in the market pre- two months, was being sheed of the low point of the poorly-received company. day, 5,572.4.

The poor performance in size of the cut at issue. Dealthe morning reflected some disappointment with Wall Street's Tuesday showing, which saw the Dow Jones Industrial Average down 42 points. The Dow was also looking weary yesterday. The more cynical

Sentiment in the second suggested that the market had been puffed up by the Sears takeover story, and continuing hopes that a ture retailer Heals. But Railbreak up bid for Rank may track shares tumbled after a rumours and the overplayed hopes of a 100 basis points not be far away. The FTSE 250 ended 20.2 firmer at the industry regulator. 4.777.9. while the SmallCap fell 5.3 to 2,017.5, pressured

After the market closed, 2 series of changes to the indices were FTSE announced, including the return of Hanson to the 100

On the results front, investors were reassured by a trading update from Kingrank stocks was lifted by the fisher and a much-needed boost from the niche furnibarrage of bad news from Turnover at 6pm rea



### Merger **BAe**

**COMPANIES REPORT** By Martin Brice, Peter John

British Aerospace surged late in the session amid mounting speculation of an imminent announcement that would put it at the forefront of consolidation in the also cited. Shell ended 12%

European defence industry. The terms of the deal were said to involve an agreed merger of BAe and Dasa, the German-American defence

The story was said to come from Paris traders who had been tipped off by a

BAe ended one of the better FTSE 100 performers, closing 21', up at 525%p with much of the gain chalked up amid aggressive buying in the last 30 minutes. Volume was a brisk 6.4m.

BAe has made no secret of its plans to be part of the consolidation urged on European defence groups by their governments

Brian Newman, analyst at Henderson Crosthwaite, said: "If this occurs, BAs-Dasa will have excellent long-term prospects in both civil and military markets. Rises and infer The shares will become a must-have investment, and s BAe stock could reach 600p on completion of the deal."

The latest morsel of megamerger speculation alighted on Shell Transport yesterday. Dealers said there were rumours of a link-up with Chevron of the US. Shell declined comment, as did Chevron, which was up \$5 at

\$87 in New York trading. Most analysts were suspi-cious. One said: "Shell and Chevron are hardly strawberries and cream. There are better fits elsewhere."

Another broker sugges Texaco was a more plausible candidate as the two companies already have a strong joint venture overlap in the US. Conoco of the US was

Dec 9 Dec 8 Dec 7

FT 30 INDEX

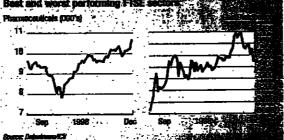
up at 362p with 18m traded. It was the stock market story that cried wolf once too often. Rumours that Zeneca would be the subject of a bid or merger had been around for so long, they had started to raise little more than a stifled yawn whenever they appeared. Yesterday, the translation

of rumour into fact, with news that Zeneca plans to merge with Astra of Sweden, raised the Zeneca share price by 191p to £27.11.

The rise reflected two views in the market. First, there was a straight calculation of how £1.1bn of cost

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Equity bergelos:	•	45,655	46.368	46,671	49,169	52,690
Shares tracked (soft)	-	707,5	847.1	754.0	804.9	789.9
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stock that has traded at a p/e discount to its peers.

Second, there is the pros-pect of a counter-bidder emerging. Peter McDougall no fewer than eight analysts f Dresdner Kleinwort Benon argued: "Other compaies may be able to extract vould be the kind of level we would expect."

said Glaxo Wellcome and SmithKline Beecham could benefit far more than tory regime suggested about Astra. And SmithKline's £100m would come off Railshare price reflected that view, gaining 33 to 790p. Glaxo, which has just

announced a £70m acquisition in Egypt, was slightly The shares rose 18 to £19.56. Other analysts were scep-

tical. They said Zeneca and Astra desperately needed to cut a deal as patent expiries will wipe out about 40 per cent of their combined turnover by 2001. However, they added that imminent shrinkage rendered the two companies less attractive propositions to others and a hostile bid would be very expensive.

brokers were taken by sur-prise. IBES, the earnings

cut their earnings per share predictions The end of the bull run for ar greater synergies. I Railtrack seemed to be in elieve a counter-bidder has sight as the latest proo be on the cards. And if nouncement from the rail here is one, £31 a share regulator on track access charges took its toll.

The stock was off 64 at £14.57 as estimates of the impact of the tougher regulatrack profits.

One analyst said the company was facing an acting regulator who wanted to become permanent and was less aggressively bought. likely to drive a hard bar-

Elsewhere in the transport sector, Arriva was the worst performing FTSE 250 share as it dropped the idea of sell-ing its finance division. The shares fell 69% at 372%p.

Relief at a lack of bad news in the Kingfisher trading update saw the shares soar 61 to 604p, making it the best performer in the Footsie. The company said liketo the end of October were um 5.1 per cent.

premier FTSE 100 listings. The move came just three days after British Land delivered an upbeat forecast for the sector in contrast to gloomier statements from

Publication of a very bearish broker's note only served to pile on the misery. Credit Suisse First Boston reiterated its negative stance on the stock saying the company's portfolio is heavily weighted towards City of London office space. "The earlier phases of Broadgate Estate however, are begining to display signs of depreciation, while there is increasing migration to Canary Wharf. We expect this to cap performance," said a note from the broker's

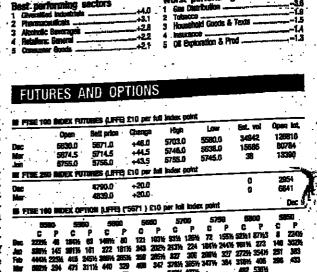
property team. The shares, which had underperformed the market by 34 per cent since the beginning of the year, tumbled, closing 28% or 6 per cent lower at 450p, the worst performer in the Footsie.

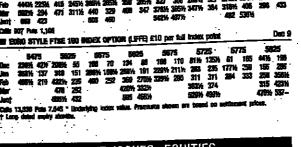
There were sellers too for Land Securities, now the only property group left in the FTSE 100. The shares fell 14 to 764p. Scottish Power ran ahead

22 to 629p en persistent tæk wants to bid. Sceptical analysts pointed to the government's golden share in the stock.

licensing agreement for its anaesthetic drug Chirocaine with Zeneca, fell 31 to 272%p. There are fears that Zeneca's proposed tie-up with Astra will lead to the deal being called off.

There never seems to be any cheery news for the sorely crumpled paper and packaging stocks and yesterfor-like sales in the 13 weeks day it was the turn of David S Smith to be run through the shredder. The shares estimates was accentuated by a warning that the out-





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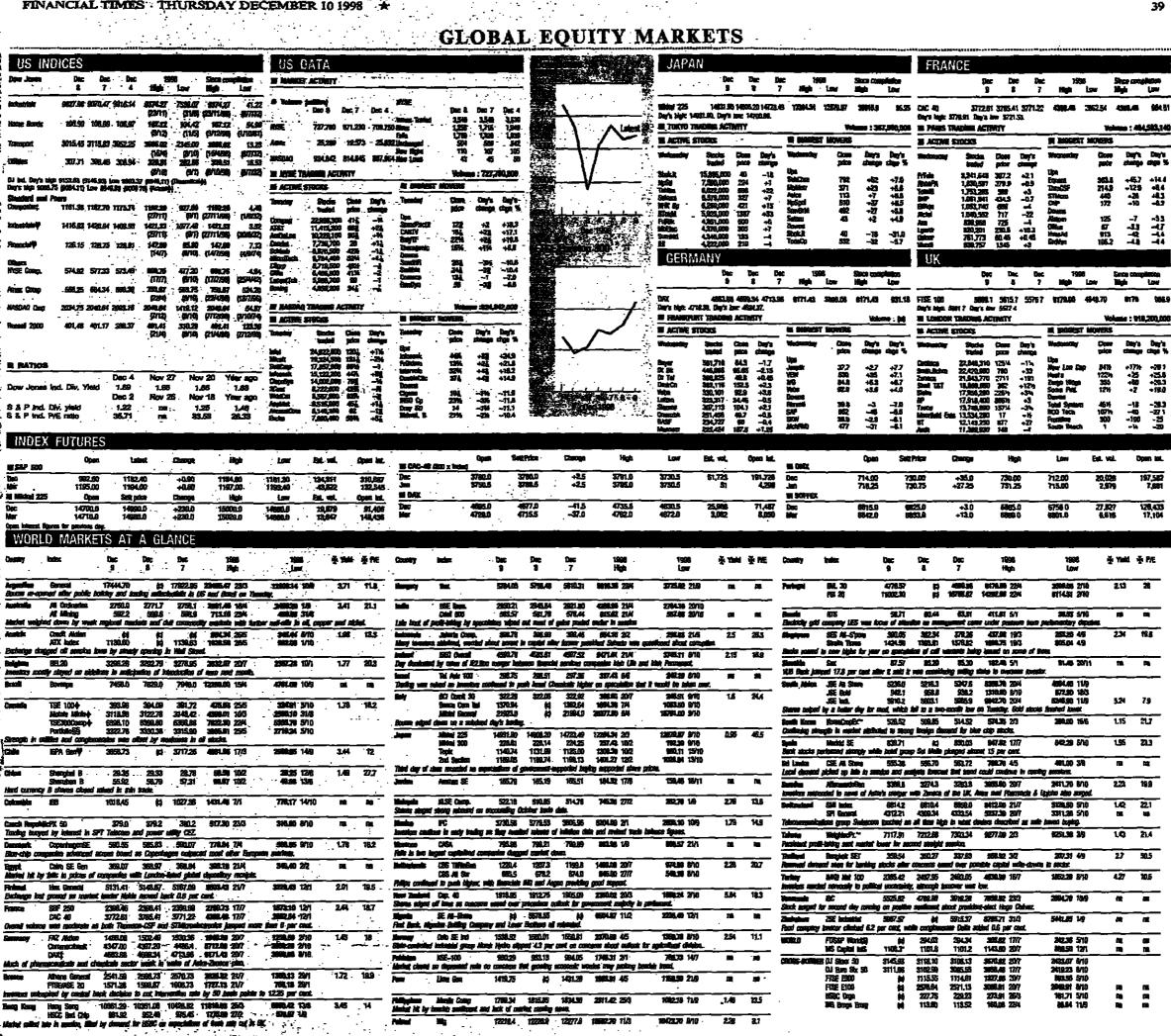
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### STOCK MARKETS

### Merger talk fails to inspire investors

WORLD OVERVIEW

News of yet another pharmaceuticals mega-merger and late rumours of a big oil link-up put a few more decibels behind corporate consolidation talk but provided little real impetus for stock markets yesterday, writes

The two main drugs protagonists, Sweden's Astra and Zeneca of the UK, sentiment was said to have

the broader backdrop to global equities stayed subdued, ticking over in sluggish volumes.

Asia presented a mixed picture and when Europe traders were mostly preoccupied with a further early shakeout for the dollar. Some stability returned to the US currency later, but The softening dollar is one

German shares, which were down 0.7 per cent against the trend yesterday and which have shed almost 11 per cent in less than two weeks.

The underperformance in came into the reckoning Frankfurt is marked. It is 24 per cent short of July peaks, against 16 per cent for Paris and 18 per cent for Zurich, driven down by political nervousness following the change of government and with evidence mounting a slowing European

to news of its planned tie-up

But in spite of early claims

best. By the close, they were

The upheat mood spilled

over to Astra's US-Swedish

rival, Pharmacia & Upjohn,

which surged SKr14 to

SKr451. The company said it

was not actively seeking a

partner but could not rule

investor, a large share-

holder in Astra, was another

beneficiary, rising SKr29.50

to SKr268, helping the gen-

eral index to rise 115.26 or

date in the continuing con-

solidation of the European

Hoechst, however, lost

DM1.19 to DM67.40 on the

view that it faced increased

competition from the Astra-

Zeneca merger. The German

company is undergoing a

Bayer, another possible

nharmaceuticals industry.

3.6 per cent to 3,304.39.

higher at SKr170.50.

out a merger.

The dollar is not the only short of its April peaks. currency making waves. The distress, continued to weigh mining costs in local curheavily on the Oslo market, rency and selling prices in Europe this year.

rand, in spite of a modest rebound from the two-month lows hit on Tuesday, remained severely depleted. Johannesburg's all share index rallied modestly but at

pharmaceuticals groups, but clear reason for the plight of manufacturing economy. 5,236 is a full 37 per cent. Europe's biggest corporate Even the important gold Norwegian krone, under fire shares market - tradition-dued, not least because Ciba from international oil price ally cushioned by having and Clariant abandoned the clear backmarker in dollars - has this time not

And the South African in the rand to R6 to the doldeficit have taken toll of the

sector was strangely subtheir merger plans.

Astra settled for a gain of 12.9 per cent after surging by escaped the rigours of a slide 24.5 per cent at one stage, in the rand to R6 to the dol- but Zeneca could manage lar. Broad worries about only a 8 per cent rise in spite commodity prices and South of persistent speculation mid-October, the stock Africa's mushrooming trade among sector analysis that a spoiling counter-bid for the

or 1.2 per cent higher at

The day was notable other-

trolling stake in Melia Inver-

owns and operates hotels in

Pta4,790.

**MARKET FOCUS** 

### **Index feud puts** rally in shade

The Australian Stock Australia ige (ASX) has had a record year, buoyed by an strong recovery in Australian stocks and the exchange's own listing in

nearly doubling from its A\$4.20 flotation price. The All Ordinaries Index, has beenced back from its mid-year lows to defy most predictions. It is still nearly 16 per cent down from 1998 record levels of 2,381 in April, but the index and many stocks have exceeded or nearly recovered highs reached before the Asian crisis hit markets in late 1997. On the down side, the ASX

has been involved in a feud with large investors over the the composition of its benchmark All Ordinaries Index wise for a plunge at Sol in particular, new liquidity delia, the hotel group, after rules which excluded dozens it increased its bid for a conof companies from the index. and a plan to charge invessiones Americanas, which tors who use the index substantial annual fees. Small companies, as well

Latin America. Sol Melia, which part-owns MIA, fell as funds managers, com-Pta840 or 14.9 per cent to plained their exclusion from the benchmark index would Banks were strong. Argendrive down their share prices and severely hinder taria rose 4.8 per cent. Popular gained 2.9 per cent and their ability to raise capital both Santander and BBV fin-Large institutional invesished about 1 per cent tors threatened to set up a rival exchange, take legal MILAN edged down on a action or set up a separate subdued day's trading. The benchmark index. While-Mibtel index ended 71 or 0.8 large brokers remained noncommittal, analysts at top

investment banks said some nplaints were justified. Roy Shackley, a quantitative analyst at Macquarie Equities, said: "Once a stock falls out of the index, a lot of . people sell it ... at the same time, a benchmark has to be realistic, you can't have a benchmark that can't be

achieved." Among those dropped under new liquidity rules for the index which comprisedabout 230 companies, retailer Gowings and media group Rural Press, had already suffered falls in prices

liquidity levels.

2750

ASX chief Richard Humphry said the exchange's criteria for inclusion in the Ali Ordinaries index was outdated, as they were unchanged since 1980.

Many index funds managers disliked having to buy the illiquid, or thinly traded, stocks in all but the top end of the stock market, and wanted an "investible

index, he said. A compromise announced yesterday by the exchange after a meeting with an advisory panel of funds managers and company directors. The new index would be a "stapled index" model, featuring a small top-stock index, possi bly called the ASX 100, which would sit on top of an enlarged All Ordinaries

The new model would suit the big and small ends of the market, the ASX said. While the "big end" would enjoy an index of its own, with tight-liquidity rules, many recently excluded stocks would be readmitted to an enlarged All Ords index.

Among small-cap stocks however, companies with low liquidity would still be excluded while those eliminated from the index on market capitalisation grounds alone would probably be reinstated, ASX offi-

Gwen Robinson

### **Chevron rises** on takeover speculation

#### **AMERICAS**

US shares were range-bound in early trading as modest selling hit blue chips and financials, while high-tech and small company stocks pushed higher, writes John Labate in New York.

By early afternoon the Dow Jones Industrial Average was down 47.63 or 0.5 per cent to 9,080.35. The broader Standard & Poor's 500 index was down 4.23 to 1,177.15.

Higher internet and telecoms shares beloed to send the Nasdaq composite 11.29 sell 2000 index of small company shares was up by less than a point to 402.10.

Oil group Chevron's \$2% to \$56% after Prudential shares gained \$2% to \$85% Securities raised the stock to on speculation that it was in takeover talks with Royal Dutch/Shell. ADR shares of Royal Dutch were more than 3 per cent up to \$46%.

Oil service stocks were lower, with Halliburton morning trade, extending down \$1 to \$31% and the gains of previous ses-Schlumberger off \$14 to \$421 despite both companies being raised to "buy" ratings by CIBC Oppenheimer.

ADR shares of Scottish Power rose \$1# to \$41% after Salomon Smith Barney raised its rating to "buy". Multinational consumer stocks put the Dow under pressure. Procter & Gamble

expectations. Coca-Cola also fell \$24 to \$664. J.P. Morgan was down \$2% to \$104% after

a profits warning. In the internet sector, Broadcast.com soared more than 20 per cent to \$65% after the Nasdaq stock marlaunching a pilot programme for internet broadcasting ser-

vices on the internet. The initial public offering of Xoom.com traded at \$38% or more than 170 per cent above its offer price.

US drug shares were mostly higher on the Zeneca higher to 2,046.04. The Rus- and Astra merger plans. Warner-Lambert gained \$1% to \$77投.

FRANKFURT saw weakness in much of its pharma-"strong buy" from "accumucenticals and chemicals seclate". Qwest Communicator in the wake of the tions was up \$% to \$42# Astra-Zeneca plan. Schering after Morgan Stanley Dean was a notable exception, ris-Witter rated it "outperform". ing DM2 to DM210 on the TORONTO edged higher in view that it looked increasingly like a merger candi-

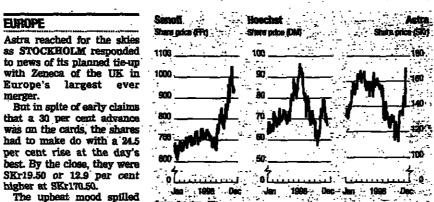
sions as strength in the gold and banking sectors kept the market afloat. But by midsession, the TSE-300 composite index had surrendered its gains to

stand virtually flat, down 1.27 at 6.398.50. In the banking sector, life-sciences merger with 50 cents higher at C\$75 and was down \$3¼ to \$83% after

Royal Bank of Canada was France's Rhône-Poulenc. Bank of Montreal was 40 merger candidate, put in an

turned back to close DM1.35 little-changed consumer

> easier at 4.676.57. Insurer Allianz was a ing FFr12.90 to FFr214.90 and weak spot for a second day on news that Deutsche Bank Big losers on the day planned a bond convertible included Renault, off FFr9.90 into Allianz shares. The or 3.8 per cent at FFr248. insurer fell DM18.90 to DM544.05. Deutsche Bank lost DM1.56 to DM95.76. ZURICH was flat after an FF14 to FF1725 while AGF



talks coming shortly after the market closed. Ciba, which fall SFr1.25 to

SFr115.75, and Clariant, which lost SFr11 to SFr613, said that a due diligence series of major risks that markets lost ground. would have undermined the deal. The SMI index was just 3.8 higher at 6,814.2.

time high in what dealers described as safe haven buypositive recommendations from a number of banks. The shares peaked at SFr506, a 49 per cent premium to their issue price on October 5. By the close the shares were SFr5 higher on the day at

Trade in Danzas, the logistics and freight forwarding group, was suspended with the shares up SFr17 at SFr435 ahead of a planned statement from the compan and media briefing today. Kuehne & Nagel shot up SFr37 to SFr1.032 but the company denied plans for a

PARIS ended 7.20 higher easier on the day at DM64.65. at 3,772.61 on the CAC 40 The broad market was index after a day of narrow weak, unmoved by news of trading and moderate vol-

prices in October. The Xetra Both Thomson-CSF and Dax index finished 31.62 STMicroelectronics jumped more than 6 per cent, gain-FF126 to FFr140 respectively.

Insurers were mixed after an upgrade for Axa-UAP and AGF. The former dipped uneventful session, with gained FF73.50 to FF7831.50. news that Clariant and Clba Sanofi responded to the had called off their merger news of the Zeneca-Astra.

#### Astra surge lifts Stockholm EUROPE MADRID notched up a Astra reached for the skies as STOCKHOLM responded solid rise after a powerful performance by bank stocks. The general index ended 9.68

to FF1949.

AMSTERDAM led the per-1.091.99 on the AEX index on review had turned up a a day when most leading

Philips continued to push higher, advancing FI 3.10 to F1 180.50 to extend its rally Swisscom touched an all this month to some 13 per cent. Financials ING and Aegon provided good suping, possibly triggered by port, rising Fl 2.80 to FI 107.30 and FI 4.40 to FIL 207.80 respectively. ABN Amro gave up 30

cents to F137 in the wake of the downgrade by rating agency Moody's, which takes a cautious stance on the bank's Brazilian operations. International ASM

tumbled on dilution fears convertible bond. The shares fell F11.30 or

merger with a rise of FF122

formance charts in Europe, rising 13.64 or 1.8 per cent to

per cent lower at 21,923. ENI, the energy group, rose 0.6 per cent after Pierluigl Bersani, the industry minister, said that its alliances with foreign companies would not lead to its acquisition by an overseas HELSINKI lost ground as

market leader Nokla moved back 0.6 per cent. The Hex general index, up 16.7 per cent in less than three weeks shed 17.26 or 0.3 per cent to close at 5,131.41.

Written and edited by Mich

### How well do you know your customers?

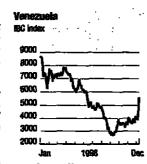
#### Caracas takes rise on week to over 40%

The euphoric response to the moderate message coming from president-elect Hugo Chávez sent CARACAS surging ahead for a second

By midsession, the IBC index was 759.90 or 15.9 per cent higher at 5.549.88 taking its rise since the start of trade on Tuesday to more than 40 per cent. Brokers reported that demand from foreign and

domestic investors was stronger during yesterday morning than on Tuesday by recent standards. Dealers said moderate eco-

tion from Mr Chavez had lifted the mood of depression



SAO PAULO was weak at and was exceptionally strong midsession as investors awaited the results of a congressional vote later in the nomic statements and a mes- day seen as crucial to restorsage of political reconcilia- ing confidence in the government's ability to put the economy back on track. The Bovespa index was 140 or 1.8 per cent lower at 7,489.

#### Firmer rand boosts Jo'burg **SOUTH AFRICA**

Shares in Johannesburg better day for the rand, cent at 5,910.2. which fell to a two-month low on Tuesday. At the close, the all share at 94 index was up 19.7 at 5,236.0 cent.

with most of the drive com ing from financials, which gained 1.2 per cent to 7.807.4. rallied modestly, helped by a Industrials added 0.1 per

Golds ended off the bottom but still in negative territory at 942.1, a drop of 1.7 per

### Electronics push Tokyo higher

#### ASIA PACIFIC

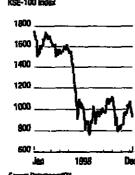
Expectations of governmentsupported buying and the continuing popularity of high-tech issues lifted TOKYO, which shrugged off New York's overnight downturn and rose for a third straight day, writes Michiyo Nakamoto

The Nikkei average rose 123.70 to close at the day's high of 14,931.90, having picked up from a low of 14,700.66. The broader-based Topix index gained 8.75 to 1,140.74 while the Nikkel 300 closed up 2.47 at 228.61. Volume remained thin at

360m shares. Gaining issues outnumbered losers by 623 to 490 while 177 issues were unchanged. There were lingering high of Y6,500 before closing

expectations that pension at Y6,440. funds would continue to support the market ahead of the release of government shares in NTT, the telecoms group, later this month.

attracted considerable atten- plagued by rumours of diffition and rose 1.3 per cent. culties with its main bank. Investors were buoyed by rising computer shipments day's hesitancy, climbing chemical and energy shares. and hopes of a better envi- back into top gear and rising ronment for semiconductor 16.67 or 3.3 per cent to 526.52 strongly for the second day manufacturers. Toshiba on the Kospi index. The mar- as banks rose sharply.



gained Y22 to Y698 while Hitachi rose Y18 to Y741. Softbank, the software distribution and high-tech exhi-

On the negative side, Shokusan Jutaku, a housebuilder, fell 50 per cent to a new low of Y28, before closing at Y40 in heavy trade. The electronics sector The company has been SEOUL cast aside Tues-

cent in seven days. Samsung Electronics rose Won3,000 or 4 per cent to Won78,000. KUALA LUMPUR rebounded strongly late in the session on encouraging October

The composite index finished 11.33 or 2.2 per cent higher at 522.18. Earlier the index hit a low of 502.38 on unfounded reports that Bt18.75. Mahathir Mohamad, the prime minister, had been admitted to hospital.

Property and financial group MBf Holdings was again the most active stock, adding I cent to 40.5 cents. Shares linked with businessman Ting Pek Khiing were also actively dealt. Infrabitions group, rose to a new structure group Ekran put on 5 cents to M\$1.54 while an associate, Granite, lost 7 cents to M\$1.31.

KARACHI fell 24 per cent. on fresh worries over the delayed IMF package. The KSE-100 index finished 22.84 lower at 930.29 after conflicting media reports about a delay in the IMP ballout package triggered selling in

9.27 or 2.6 per cent higher at 359.54 as the market built on Tuesday's 3.7 per cent rise. Brokers said the 8.2 per cent climb in the value of investors were now less concerned about possible capital write-downs in the sector. Siam Commercial Bank leant Bt2.60 or 17.5 per cent to

SINGAPORE Was also underpinned by a strong banking sector, which helped it to a solid rise for the second day running, The Straits Times index closed 30.98 or 2.2 per cent

higher at 1.424.59. Several banks closed at highs for the year. OCBC foreign gained 9.4 per cent, Overseas Union Bank foreign put on 3.4 per cent and Keppel Bank finished 4.5 per cent up.

MANILA moved lower as investors reacted to a lack of corporate news, The composite index lost 46.51 or 2.6 per cent to end at 1,769.84.

Property companies suffered the most. SM Prime Holdings shed 5.8 per cent, BANGKOK advanced Filinvest Land plunged 8.9 per cent and Avala land closed 1 per cent lower.

